恆新豐控股有限公司
HANDS FORM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1920

SHARE OFFER

Sole Sponsor

Grande Capital Limited
均富融資有限公司

Sole Bookrunner

KOALA Securities Limited
樹 熊 證 券 有 限 公 司

Joint Lead Managers

KOALA Securities Limited
樹 熊 證 券 有 限 公 司

ASTRUM

Co-lead Managers

黃 河 證 券 有 限 公 司
Yellow River Securities Limited

瑞 邦 證 券
RUIBANG

Mouette 海盈證券

IMPORTANT

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

HANDS FORM HOLDINGS LIMITED
恒新豐控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	**:**	**650,000,000 Shares**
Number of Public Offer Shares	**:**	**65,000,000 Shares (subject to re-allocation)**
Number of Placing Shares	**:**	**585,000,000 Shares (subject to re-allocation)**
Offer Price	**:**	**HK$0.20 per Offer Share, plus brokerage of 1.0%, 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 each**
Stock code	**:**	**1920**

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

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

The Sole Bookrunner (for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered pursuant to the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of such reduction will be published on the website of the Stock Exchange at ***www.hkexnews.hk*** and our website at ***www.handsform.com***. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus.

The Offer Shares have not been and will not be registered under 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 or to, or for the account or benefit of any U.S. persons.

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Public Offer Shares, are subject to termination by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Public Offer Underwriting Agreement — Grounds for termination of the Public Offer Underwriting Agreement" in this prospectus.

6 August 2019

> *If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and of our Company (**www.handsform.com**).*

	2019
Latest time to complete electronic applications under **eWhite Form** service through the designated website ***www.ewhiteform.com.hk*** [2]	11:30 a.m. on Friday, 9 August
Application lists open [3]	11:45 a.m. on Friday, 9 August
Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give electronic application instructions to HKSCC [4]	12:00 noon on Friday, 9 August
Latest time to complete payment of **eWhite Form** applications by effecting PPS payment transfer(s)	12:00 noon on Friday, 9 August
Application lists close [3]	12:00 noon on Friday, 9 August
(a) Announcement of the level of indication of interest in the Placing, the level of applications of the Public Offer and the basis of allocation under the Public Offer to be published on the website of our Company at ***www.handsform.com***; and on the website of the Stock Exchange at ***www.hkexnews.hk*** on or before [5]	Thursday, 15 August
(b) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — 11. Publication of results" from	Thursday, 15 August
A full announcement of the Public Offer containing (a) and (b) above to be published on the website of the Stock Exchange at ***www.hkexnews.hk*** [5] and the website of our Company at ***www.handsform.com*** [6] from	Thursday, 15 August

	2019
Results of allocations in the Public Offer will be available at ***www.ewhiteform.com.hk/results*** with a "search by ID" function on	Thursday, 15 August
Despatch/collection of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before [7]	Thursday, 15 August
Despatch/collection of e-Refund payment instructions/ refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before [8]	Thursday, 15 August
Dealing in the Shares on the Stock Exchange expected to commence at	9:00 a.m. on Friday, 16 August

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including the conditions of the Public Offer, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

2. You will not be permitted to submit your application through the **eWhite Form** service through the designated website at ***www.ewhiteform.com.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 eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 9 August 2019, the application lists will not open and close on that day. Please refer to the section headed "How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Friday, 9 August 2019, the dates mentioned in this section may be affected. An announcement will be made by us in such event.

4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

5. The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the website of the Stock Exchange at ***www.hkexnews.hk***.

6. None of the information contained on any website forms part of this prospectus.

7. Applicants who apply for 1,000,000 Public Offer Shares or more may collect share certificates (if applicable) and/or refund cheques (if applicable) in person and may do so from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited from 9:00 a.m. to 1:00 p.m. on Thursday, 15 August 2019 or any other date as notified by us as the date of despatch of share certificates and refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited. Applicants who have applied on YELLOW Application Forms may collect their refund cheques (if applicable) in person, may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

8. eRefund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

   Applicants who apply through the **eWhite Form** service and paid their application monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions.

   Applicants who apply through the **eWhite Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to **eWhite Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Share certificates are expected to be issued on Thursday, 15 August 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 August 2019 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, any of the Underwriters, any of their respective directors, affiliates, employees, agents or professional advisers or any other person or party involved in the Share Offer.

CONTENTS

This summary aims at giving 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 the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions and glossary of technical terms" in this prospectus.

BUSINESS OVERVIEW

Our business model

We are an established subcontractor in Hong Kong and principally engage in the provision of wet trades works and other wet trades related ancillary works. Wet trades works include plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works. According to the Industry Report, our Group ranked the fifth in the Hong Kong wet trades market in terms of revenue in 2018, and accounted for approximately 3.8% of the market share in 2018. According to the Industry Report, there were approximately 530 contractors and sub-contractors registered under the trade specialities of "Finishing Wet Trades" and "Marble Granite and Stone Works" as at 31 January 2019.

Our Group provides wet trades works through our principal operating subsidiaries, namely, Pak Fai and Ma Yau. Both of our principal operating subsidiaries have registered in the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. Pak Fai and Ma Yau first completed such registration under the predecessor scheme in April 2004 and our registration has since then covered finishing wet trades, marble, granite and stone work with a wide range of specialties including brick work, plastering and tiling, spray plaster and screeding, marble and granite works.

Our Projects

During the Track Record Period and up to the Latest Practicable Date, we completed 31 wet trades projects with a total contract sum of approximately HK$687.5 million. As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced). Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million, of which approximately HK$229.4 million is expected to be recognised in FY2019 and approximately HK$114.1 million is expected to be recognised in FY2020.

We provide wet trades works in private projects and public projects for various building construction projects including residential buildings, commercial buildings and public infrastructure.

The following table sets out a breakdown of our revenue, gross profit and gross profit margin by building types during the Track Record Period:

													For the three months ended 31 March							
	FY2016				FY2017				FY2018				2018				2019			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue (Unaudited)		Gross profit (Unaudited)	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Residential buildings	136,020	89.5	13,920	10.2	153,350	62.6	17,695	11.5	320,082	74.1	40,610	12.7	71,292	78.1	9,745	13.7	130,514	93.6	16,583	12.7
Commercial buildings	8,177	5.4	1,186	14.5	44,623	18.2	4,427	9.9	76,851	17.8	8,700	11.3	9,506	10.4	573	6.0	7,396	5.3	613	8.3
Public infrastructure	7,781	5.1	917	11.8	47,061	19.2	5,823	12.4	34,886	8.1	3,556	10.2	10,462	11.5	602	5.8	1,499	1.1	75	5.0
Total	151,978	100.0	16,023	10.5	245,034	100.0	27,945	11.4	431,819	100.0	52,866	12.2	91,260	100.0	10,920	12.0	139,409	100.0	17,271	12.4

The majority of our revenue during the Track Record Period was derived from private projects. The following table sets out a breakdown of our revenue, gross profit and gross profit margin attributable to different types of projects:

													For the three months ended 31 March							
	FY2016				FY2017				FY2018				2018				2019			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue (Unaudited)		Gross profit (Unaudited)	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Private projects *(Note 1)*	144,197	94.9	15,106	10.5	197,973	80.8	22,122	11.2	396,933	91.9	49,310	12.4	80,798	88.5	10,318	12.8	137,910	98.9	17,196	12.5
Public Projects *(Note 2)*	7,781	5.1	917	11.8	47,061	19.2	5,823	12.4	34,886	8.1	3,556	10.2	10,462	11.5	602	5.8	1,499	1.1	75	5.0
	151,978	100.0	16,023	10.5	245,034	100.0	27,945	11.4	431,819	100.0	52,866	12.2	91,260	100.0	10,920	12.0	139,409	100.0	17,271	12.4

Notes:

1. These refer to projects which are not public projects.
2. These refer to public infrastructure projects and projects in which the ultimate employer(s) is a Government department or a statutory body.

Costs of services

The table below sets forth a breakdown of our costs of services during the Track Record Period:

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting fees	120,939	89.0	198,113	91.3	351,054	92.6	75,270	93.7	111,413	91.2
Materials and toolings	4,345	3.2	10,719	4.9	12,820	3.4	2,088	2.6	4,456	3.6
Direct labour costs	4,477	3.3	4,629	2.1	6,983	1.8	2,099	2.6	4,027	3.3
Rental of machinery and equipment	1,427	1.0	678	0.3	714	0.2	51	0.1	449	0.4
Other costs	4,767	3.5	2,950	1.4	7,382	2.0	832	1.0	1,793	1.5
	135,955	100.0	217,089	100.0	378,953	100.0	80,340	100.0	122,138	100.0

Our project backlog

The following table sets out the movement of the number of our wet trades projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
Opening number of projects *(Note 1)*	9	10	11	17	18
Number of new projects *(Note 2)*	6	10	17	3	2
Number of substantially completed projects *(Note 3)*	(5)	(9)	(11)	(2)	(4)
Ending number of projects *(Note 4)*	10	11	17	18	16 *(Note 5)*

Notes:

1. Opening number of projects means the number of awarded projects which were not substantially completed as of the beginning of the relevant year/period indicated.

2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated, including those projects tendered in the preceding year/period which were awarded in the relevant year or period.

3. We usually make progress payment requests in a bi-weekly or monthly interval to the respective customer. Unless otherwise specified, substantial completion refers to the last payment application for work done before ceasing to apply for progress payment for two consecutive months.

4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of substantially completed projects during the relevant year/period indicated.

5. Out of the 16 projects on hand as at the Latest Practicable Date, eight projects were properties developed by four out of the top five property developers in Hong Kong in terms of number of property completion according to the Industry Report. The ending contract value on hand of these eight projects was approximately HK$260.2 million as at the Latest Practicable Date.

The following table sets out the movement of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	**FY2017**	**FY2018**	**For the three months ended 31 March 2019**	**From 1 April 2019 to the Latest Practicable Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening contract value brought forward from last year/period	101,996	36,103	273,337	370,989	459,602
Awarded contract sum of new projects *(Note 1)*	43,492	394,397	475,335	185,629	48,204
Variation orders	42,593	87,871	54,136	42,393	22,196
Revenue recognized	(151,978)	(245,034)	(431,819)	(139,409)	(186,456)
Ending contract value on hand as at the year/period end date *(Note 2)*	36,103	273,337	370,989	459,602	343,546

Notes:

1. The awarded contract sum of new projects for FY2016, FY2017, FY2018 and the three months ended 31 March 2019 is the aggregate amount of original contract sum based on the initial agreement between our customer and us and does not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum. The aggregate amount of original contract sum of new projects for the period from 1 April 2019 to the Latest Practicable Date is the aggregate amount of original contract sum of such contracts specified in contracts or our Directors' estimated contract sum with reference to the tender price.
2. Ending contract value on hand refers to the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been fully completed or subject to agreement on final account with our customers as at the end of the relevant year/period indicated.

Our customers

Our direct customers include main contractors and subcontractors of various building construction projects in Hong Kong while the ultimate owners of the projects undertaken by us mainly include the Government and property developers. As a subcontractor, we mainly secure our projects from contractors through tenders by invitation. We strive to maintain good relationship with our major customers to establish good reputation and to gain future business opportunity.

The following table sets forth a breakdown of the revenue by our customers' role (i.e. main contractors and sub-contractors) during the Track Record Period:

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		For the three months ended 31 March 2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Main contractors	151,978	100.0	175,053	71.4	292,976	67.8	73,410	80.4	99,684	71.5
Subcontractors	—	—	69,981	28.6	138,843	32.2	17,850	19.6	39,725	28.5
	151,978	100.0	245,034	100.0	431,819	100.0	91,260	100.0	139,409	100.0

During the Track Record Period, Sanfield, a subsidiary of a reputable company listed on the Stock Exchange, being a major property developer in Hong Kong, is our largest customer. Being an approved subcontractor for Sanfield, we are well-versed on meeting stringent safety and quality standards over our wet trades works of other potential customers. Please refer to the section headed "Business — Competitive Strengths — We have long-established relationship with Sanfield" in this prospectus for details.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total revenue from Sanfield amounted to approximately 62.5%, 47.3%, 42.1% and 40.2% of our total revenue, respectively; while the percentage of our revenue from our five largest customers combined amounted to approximately 97.5%, 90.4%, 90.9% and 97.9% of our total revenue, respectively. For details of our customers, please refer to the section headed "Business — Major customers" in this prospectus.

Our subcontractors

We relied on subcontractors in the execution of our projects. Our subcontractors are mainly responsible for providing labour resources for our wet trades projects. We subcontract different types of works to different subcontractors, while maintaining overall project management and implementation. We had only 16, 18, 35 and 36 employees as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively and we recorded subcontracting fees of HK$120.9 million, HK$198.1 million and HK$351.1 million and HK$111.4 million for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively, which accounted for 89.0%, 91.3%, 92.6% and 91.2% of its total cost of services for the relevant years/period. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total subcontracting fees incurred from our largest subcontractors amounted to approximately 10.9%, 8.7%, 12.8% and 25.7% of our total subcontracting fees incurred from our subcontractors, respectively, while the percentage of our total subcontracting fees incurred from our five largest subcontractors together amounted to approximately 26.6%, 23.0%, 21.1% and 40.4% of our total subcontracting fees incurred from our subcontractors for the relevant years/period, respectively.

Our suppliers

During the Track Record Period, suppliers of goods and services to our Group (excluding our subcontractors) mainly include: (i) suppliers of construction materials and toolings; (ii) machinery and equipment rental service providers; and (iii) suppliers of safety consultancy services, repair and maintenance services and logistics services. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total purchases (excluding subcontracting fees) incurred from our largest supplier amounted to approximately, 19.6%, 32.2%, 41.3% and 21.5% of our total purchases (excluding subcontracting fees) incurred from our suppliers, respectively, while the percentage of our total purchases (excluding subcontracting fees) incurred from our five largest suppliers together amounted to approximately 59.1%, 71.2%, 73.7% and 65.6% of our total purchases (excluding subcontracting fees) incurred from our suppliers, respectively.

For details of our subcontractors and suppliers, please refer to the section headed "Business — Suppliers and subcontractors" in this prospectus.

Sales and marketing and pricing strategy

We do not rely heavily on marketing and promotional activities. During the Track Record Period, we secured new businesses mainly through tender by invitation. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in wet trades projects.

Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to a number of factors including the payment terms and financial strength of the customers, the estimated number and types of workers required, the difficulties and methodology of the project and reputation of the customers.

Licences and qualification

As advised by our Legal Counsel, (i) except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there are no licenses, permits or approvals required to be obtained for our Group to carry on our business as a subcontractor of wet trades projects; and (ii) our Group is not required to be registered as a general building contractor and/or specialist contractor as long as we work with main contractors who are so registered and so appointed. Our subsidiaries are registered in the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. For details of our licences and qualification, please refer to the section headed "Business — Licences and permits" in this prospectus.

COMPETITIVE LANDSCAPE AND OUR COMPETITIVE STRENGTHS

The wet trades works market in Hong Kong is considered as fragmented in terms of number of market participants. According to Construction Industry Council, there were approximately 530 contractors and subcontractors registered under the trade specialties of "Finishing Wet Trades" and "Marble, Granite and Stone Works" as at 31 January 2019. In 2018, the top five market participants in wet trades works market had an aggregate market share of approximately 23.2%. Our Group is one of the top five market participants with a market share of approximately 3.8% in terms of revenue in 2018.

We believe the competitive strengths which contributed to our historical success and future potential growth include: (i) our long-established relationship with Sanfield; (ii) our good payment record to our major subcontractors; (iii) our proven track record in the wet trades works industry in Hong Kong; (iv) our commitment to high safety and environmental management standards and stringent quality controls; and (v) our experienced and professional management team. For details of our competitive strengths, please refer to the section headed "Business — Competitive Strengths" in this prospectus.

BUSINESS STRATEGIES

We aim to continue to expand our market share and competing for more wet trades projects through (i) strengthening our financial position; (ii) expanding our manpower; and (iii) acquiring additional machinery and equipment. For details of our business strategies, please refer to the section headed "Business — Business Strategies" in this prospectus.

RISK FACTORS

There are certain risks involved in our Group's operations, many of which are beyond our Group's control. Material risks we face include: (i) concentration of revenue from our five largest customers; (ii) the non-recurring nature of our revenue; (iii) the risk of our subcontractors underperforming or becoming unavailable; (iv) error or inaccurate estimation of project duration and costs when determining tender price; (v) our past revenue and profit margin may not be indicative of our future financial performance; (vi) our business growth may not be sustainable; (vii) the risk of not receiving our progress payments on time and in full or retention money not being fully released to us after expiry of the defects liability period; and (viii) credit risk in respect of our trade receivables. For details of the various risks and uncertainties we face, please refer to the section headed "Risk factors" in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

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

	FY2016 or as at 31 December 2016	FY2017 or as at 31 December 2017	FY2018 or as at 31 December 2018	For the three months ended 31 March 2019 or as at 31 March 2019
(Expressed in HK$'000 except tender/ quotation statistics and financial ratios)				
Results of operation				
Revenue	151,978	245,034	431,819	139,409
Gross profit	16,023	27,945	52,866	17,271
Profit before taxation	13,611	25,304	48,397	5,629
Profit and total comprehensive income for the year/period	11,394	21,270	40,321	3,221
Financial position				
Non-current assets	5,865	6,496	7,918	8,191
Current assets	41,601	75,456	153,146	149,249
Current liabilities	31,918	45,129	84,937	78,056
Net current assets	9,683	30,327	68,209	71,193
Tender/quotation statistics				
Number of tenders/quotations submitted	87	112	147	38
Number of successful tenders/quotations	12	16	20	0
Success rate	13.8%	14.3%	13.6%	—
Key financial ratios				
Gross profit margin	10.5%	11.4%	12.2%	12.4%
Net profit margin	7.5%	8.7%	9.3%	2.3%
Return on equity	74.6%	58.2%	53.1%	4.1%
Return on total assets	24.0%	26.0%	25.0%	2.0%
Current ratio	1.3	1.7	1.8	1.9
Trade receivables turnover days	32.4 days	27.1 days	23.2 days	18.7 days
Trade payables turnover days	50.0 days	38.0 days	39.7 days	38.7 days
Gearing ratio	38.6%	0.0%	27.3%	6.5%
Cash flows				
Operating cash flow before movement in working capital	13,974	25,318	48,386	5,799
Net cash from (used in) operating activities	725	19,175	(1,082)	(754)
Net cash from (used in) investing activities	492	(757)	(14,399)	7,192
Net cash (used in) from financing activities	(1,972)	(5,896)	20,469	(17,890)
Net (decrease) increase in cash and cash equivalents	(755)	12,522	4,988	(11,452)
Cash and cash equivalents at beginning of the year/period	1,368	613	13,135	18,123
Cash and cash equivalents at end of the year/period	613	13,135	18,123	6,671

Analysis on selected key operation and financial data

Revenue

Our revenue increased by approximately HK$186.8 million or 76.2%, from approximately HK$245.0 million for FY2017 to approximately HK$431.8 million for FY2018. Our revenue increased by approximately HK$93.1 million or 61.2%, from approximately HK$152.0 million for FY2016 to approximately HK$245.0 million for FY2017. The increase in the revenue was mainly driven by (i) the increase of revenue recognised from some of our existing sizable projects; and (ii) the revenue recognised from some major projects undertaken or commenced in the respective year. Our revenue increased by approximately HK$48.1 million or 52.8%, from approximately HK$91.3 million for the three months ended 31 March 2018 to approximately HK$139.4 million for the three months ended 31 March 2019. The increase in the revenue was mainly driven by the revenue contributed by some of our existing sizable projects. Such sizable projects being undertaken by our Group was mainly contributed by the increasing number of tender invitations received and projects awarded to us during the Track Record Period. According to the Industry Report, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. In view of that, the demand for high quality wet trades works by the property developers has been increased in order to fulfil the interior design and inspection requirement. We believe that due to our proven track record of high quality works in the wet trades works industry as discussed in the section headed "Business — Competitive Strengths" in this prospectus, the demand for our services has been increased. Hence, increasing number of tender invitations as well as awarded projects were being recorded during the Track Record Period.

Net current assets

The increase in our net current assets was mainly due to the increase in our current assets as a result of our overall business growth and our profitable operation during the Track Record Period, and a less significant increase in our current liabilities. As at 30 June 2019, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK$82.8 million, which has increased as compared with our net current assets as at 31 March 2019.

Success rate

Our tender success rate was approximately 13.8%, 14.3%, 13.6% and nil for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively. As at the Latest Practicable Date, we have established stable business relationships with our five largest customers during the Track Record Period for around one to 29 years.

Trade receivables turnover days

Our trade receivables turnover days were approximately 32.4 days, 27.1 days, 23.2 days and 18.7 days for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively, which is consistent with the credit period granted to our customers. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Trade payables turnover days

Our trade payables turnover days decreased from approximately 50.0 days for FY2016 to approximately 38.0 days for FY2017, which was primarily because we expedited the process of settling our trade payables in order to enhance business relationship with various suppliers. Our trade payables turnover days remained relatively stable for FY2018 and the three months ended 31 March 2019 and was approximately 39.7 days and 38.7 days, respectively.

Gearing ratio

Our gearing ratio was approximately 38.6% as at 31 December 2016 and nil as at 31 December 2017. The decrease in our gearing ratio was mainly due to repayment of our bank overdrafts. Our gearing ratio increased from nil as at 31 December 2017 to approximately 27.3% as at 31 December 2018. The increase was primarily due to the increase of our bank overdrafts of approximately HK$15.6 million and bank borrowings of approximately HK$5.2 million as we relied more on our bank overdrafts and borrowings to support our business growth. Our gearing ratio decreased from approximately 27.3% as at 31 December 2018 to approximately 6.5% as at 31 March 2019. This was due to the decrease in bank overdrafts and bank borrowings as at 31 March 2019 as compared with that as at 31 December 2018.

Cash flows from (used in) operating activities

For each of FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the respective difference between our profit before taxation and our cash generated from/used in operations were mainly due to the changes in working capital needs in our projects, including in particular the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers. We generally grant a credit period of 17 to 60 days to our customers while the credit period granted to us by our suppliers is 30 days in general.

Net cash used in operating activities during FY2018 was mainly due to the increase in contract assets (which consists of unbilled revenue and retention receivables) and trade receivables, despite an increase in operating cash flow before movement in working capital during FY2018.

The increase in unbilled revenue during FY2018 was mainly due to the increase in the size and number of contract works that the relevant services were completed but were not certified as at 31 December 2018 as compared that as at 31 December 2017.

The increase in retention receivables during FY2018 were primarily due to (i) our business growth and the resulting increase in number of projects with retention withheld as at 31 December 2018 compared to that as at 31 December 2017; and (ii) the retention receivables withheld for projects brought forward from the prior reporting period the retention receivables of which had not been released as at 31 December 2018.

The increase in trade receivables during FY2018 was primarily due to (i) our business growth; and (ii) the fluctuation of the amount settled by different customers.

Net cash used in operating activities during the three months ended 31 March 2019 was mainly due to the increase in contract assets (in particular the increase in unbilled revenue), despite we recorded a positive operating cash flow before movement in working capital during the three months ended 31 March 2019.

The increase in unbilled revenue during the three months ended 31 March 2019 was primarily due to the increase in the size and number of contract works that the relevant services were completed but were not certified as at 31 March 2019 as compared that as at 31 December 2018.

We have adopted certain policies to improve our operating cash flow, which include (i) preparation of cash flow plans for each project on a monthly basis; (ii) liaising with our customers and monitoring the latest certified progress for our customers; (iii) reviewing the cashflow plans for all of our projects and consider the cashflow position of our Group before submitting any tenders; and (iv) actively follow up with our customers for payment and utilise our banking facilities in the event that there is expected cash outflow for a particular month.

Please refer to the section headed "Financial Information — Liquidity and capital resources — Cash flows from (used in) operating activities" in this prospectus for further details.

Cash flows from (used in) investing activities

During the Track Record Period, our cash inflows from investing activities include repayment from a director, while our cash outflows from investing activities consist of advance to a director and purchase of property, plant and equipment.

For FY2016, we recorded net cash from investing activities of approximately HK$492,000, which was primarily attributable to the repayment from a director during FY2016. For FY2017, we recorded net cash used in investing activities of approximately HK$757,000, which was primarily attributable to (i) the advance to a director of approximately HK$365,000 and (ii) the purchase of property, plant and equipment of approximately HK$392,000 during FY2017. For FY2018, we recorded net cash used in investing activities of approximately HK$14.4 million, which was primarily attributable to (i) the advance to a director of approximately HK$13.6 million and (ii) the purchase of property, plant and equipment of approximately HK$807,000 during FY2018. For the three months ended 31 March 2019, we recorded net cash from investing activities of approximately HK$7.2 million, which was primarily attributable to (i) the repayment from a director of approximately HK$7.6 million; and (ii) the purchase of property, plant and equipment of approximately HK$441,000 during the period.

Cash flow (used in) from financing activities

During the Track Record Period, our cash inflows from financing activities includes drawdown of bank overdrafts and new bank borrowings raised, while our cash outflows from financing activities includes repayment of bank overdrafts, repayment of bank borrowings, repayment to a director and issue costs paid.

For FY2016, we recorded net cash used in financing activities of approximately HK$2.0 million, which was primarily attributable to the repayment to a director of approximately HK$7.9 million, which was partly offset by the drawdown of bank overdrafts of approximately HK$5.9 million during FY2016. For FY2017, we recorded net cash used in financing activities of approximately HK$5.9 million, which was primarily attributable to the repayment of bank overdrafts during FY2017. For FY2018, we recorded net cash from financing activities of approximately HK$20.5 million, which was primarily attributable to the drawdown of bank overdrafts of approximately HK$15.6 million and new bank borrowings raised of approximately HK$5.7 million, which was partly offset by the repayment of bank borrowings of approximately HK$466,000 and issue costs paid of approximately HK$315,000 during FY2018. For the three months ended 31 March 2019, we recorded net cash used in financing activities of approximately HK$17.9 million, which was primarily attributable to the repayment of bank overdrafts of approximately HK$14.2 million, repayment of bank borrowings of approximately HK$1.4 million and issue costs paid of approximately HK$2.3 million during the period.

Non-HKFRS measures

We recognised non-recurring items in the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented the adjusted net profits and adjusted net profit margin as non-HKFRS measures.

We present these additional financial measures as these were used by our management to evaluate our financial performance by eliminating the impact of non-recurring listing expenses which is considered not indicative for evaluation of the actual performance of our business. We believe that these non-HKFRS measures provide additional information in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

The table below sets out the adjusted net profit and adjusted net profit margin in each respective year/period during the Track Record Period:

				For the three months ended 31 March	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit and total comprehensive income for the year/period	11,394	21,270	40,321	9,419	3,221
Add: Non-recurring item — Listing expenses	—	—	2,024	—	9,924
Adjusted net profit for the year/period	11,394	21,270	42,345	9,419	13,245
Adjusted net profit margin for the year/period	7.5%	8.7%	9.8%	10.3%	9.5%

CONTROLLING SHAREHOLDERS

By virtue of the Concert Party Deed, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon exercise of any options as may be granted under the Share Option Scheme), each of Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown will control approximately 75% of the issued share capital of our Company. Hence, Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown are regarded as a group of Controlling Shareholders and each of Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown shall be regarded as a Controlling Shareholder under the Listing Rules. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

STATISTICS OF THE SHARE OFFER

The Share Offer comprises the Public Offer of initially 65,000,000 Shares offered in Hong Kong (subject to re-allocation), and the Placing of initially 585,000,000 Shares (subject to re-allocation).

	Based on the Offer Price of HK$0.20 per Offer Share
Market Capitalisation *(Note 1)*	HK$520 million
Unaudited pro forma adjusted consolidated net tangible assets as at 31 March 2019 per Share *(Note 2)*	HK$0.07

Notes:

1. The calculation of the market capitalisation of the Shares is based on 2,600,000,000 Shares in issue and to be issued immediately after completion of the Share Offer and does not take into account of any Shares which may be granted under the Share Option Scheme or any Shares which may be allotted and issued pursuant to the general mandates granted to our Directors to issue or repurchase Shares or otherwise as mentioned in this prospectus.

2. For the calculation of the unaudited pro forma adjusted consolidated net tangible asset value per Share attributable to the Shareholders, please refer to the section headed "Unaudited pro forma financial information — A. Unaudited pro forma statement of adjusted consolidated net tangible assets of the Group" in Appendix II to this prospectus.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$40.0 million. Out of the amount of approximately HK$40.0 million, approximately HK$20.2 million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK$19.8 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$19.8 million that shall be charged to profit or loss, nil, nil, approximately HK$2.0 million and HK$9.9 million, has been charged for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2019 will be adversely affected by the estimated expenses in relation to the Listing.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the listing of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the wet trades works industry in Hong Kong. We estimate the net proceeds from the Share Offer which we will receive, based on the Offer Price of HK$0.20 per Offer Share, will be approximately HK$90.0 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Share Offer. We intend to apply the net proceeds of the Share Offer for the following purposes: (i) approximately 44.3% of the net proceeds (approximately HK$39.9 million) for payment of upfront costs; (ii) approximately 20.8% of the net proceeds (approximately HK$18.7 million) for expanding our workforce; (iii) approximately 11.0% of the net proceeds (approximately HK$9.9 million) for upgrading our office facilities and information technology system; (iv) approximately 9.2% of the net proceeds (approximately HK$8.3 million) for acquiring machinery and equipment; (v) approximately 8.3% of the net proceeds (approximately HK$7.5 million) for the payment of performance bonds; (vi) approximately 3.6% of the net proceeds (approximately HK$3.2 million) for renting a new warehouse; and (vii) approximately 2.8% of the net proceeds (approximately HK$2.5 million) for acquiring safety equipment and tools.

For details of our future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

LITIGATION AND NON-COMPLIANCE

During the Track Record Period and as up to the Latest Practicable Date, our Group was involved in certain claims and litigations and up to the Latest Practicable Date, there may also be certain potential claims against our Group regarding employees' compensation, personal injury and improvement notices issued by the Labour Department. For further details, please refer to the section headed "Business – Litigation and potential claims" in this prospectus.

In addition, during the Track Record Period and up to the Latest Practicable Date, we had certain non-compliance incidents involving failure to conduct safety audits. For further details, please refer to the section headed "Business – Non-compliance" in this prospectus.

DIVIDEND

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, we did not declare or distribute dividend to our then Shareholders. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded two new projects. Based on the best estimation of our Directors with reference to communications with our customers, the aggregate original contract sum of these new projects amounted to approximately HK$48.2 million. As at the Latest Practicable Date, we had a total of 16 projects on hand (projects that have commenced but not completed and projects that have been awarded to us but works have not yet been commenced). Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had submitted 64 tenders/quotations with aggregate tender price of approximately HK$2,301.1 million.

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects subsequent to 31 March 2019, and there had been no events subsequent to 31 March 2019 which would materially affect the information shown in our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus.

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

"Accountants' Report"	the accountants' report of our Group prepared by the reporting accountants set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** application form(s) and **YELLOW** application form(s) and **GREEN** Application Form(s), or where the context so requires, any of them which is used in relation to the Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on 22 July 2019, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Autumn Well"	AUTUMN WELL LIMITED, a company incorporated in BVI with liability limited by shares on 26 October 2018, and a wholly-owned subsidiary of our Company after the Reorganisation
"Board" or "Board of Directors"	the board of Directors of our Company
"Buildings Ordinance"	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"business day"	any day (other than a Saturday, and Sunday or public holidays in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compounded annual growth rate

"Capitalisation Issue"	the allotment and issue of 1,949,990,000 new Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Further information about our Company and its subsidiaries — 3. Resolutions in writing of the then sole Shareholder passed on 22 July 2019" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS 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"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Co-lead Managers"	Yellow River Securities Limited, Ruibang Securities Limited and Mouette Securities Company Limited
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

"Company" or "our Company"	Hands Form Holdings Limited (恆新豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 30 January 2019
"Concert Party Deed"	the deed of confirmation and undertaking dated 21 February 2019 executed by Mr. Adam Cheung and Ms. LC Cheung, our ultimate Controlling Shareholders, whereby they confirmed their acting in concert arrangements. Please see the section headed "Relationship with our Controlling Shareholders — Concert Party Deed" in this prospectus for more details
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Construction Industry Council"	the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"Construction Sites (Safety) Regulations"	the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and unless the context otherwise requires, means Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Creative Panda"	CREATIVE PANDA LIMITED, a company incorporated in BVI with liability limited by shares on 26 October 2018, and an indirect wholly-owned subsidiary of our Company after the Reorganisation
"Deed of Indemnity"	the deed of indemnity dated 22 July 2019 entered into by our Controlling Shareholders in favour of our Company (for itself and for the benefit of its subsidiaries) regarding certain indemnities, particulars of which are set out in the paragraph headed "Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus
"Development Bureau"	the Development Bureau of the Government
"Director(s)" or "our Director(s)"	the director(s) of our Company

"Employees' Compensation Ordinance"	Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Environmental Protection Department"	the Environmental Protection Department of the Government
"**eWhite Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting application online through the designated website of the **eWhite Form** Service Provider at ***www.ewhiteform.com.hk***
"**eWhite Form** Service Provider"	the **eWhite Form** Service Provider designated by our Company, as specified on the designated website at ***www.ewhiteform.com.hk***
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research agency
"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ending 31 December 2019
"FY2020"	the financial year ending 31 December 2020
"FY2021"	the financial year ending 31 December 2021
"GBP£"	British pound sterling, the lawful currency of the United Kingdom
"Government"	the government of Hong Kong
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **eWhite Form** Service Provider
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong", "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Boardroom Share Registrars (HK) Limited, our Hong Kong branch share registrar and transfer office
"independent third party(ies)"	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of our Directors, chief executive and Substantial Shareholders (within the meaning of the Listing Rules) of our Company or any of its subsidiaries, or any of their respective associates
"Industry Report"	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industry in which our Group operates
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing, where ISO 9001:2015 is the current version of ISO 9001
"ISO 14001"	environmental management system requirements published by ISO, where ISO 14001:2015 is the current version of ISO 14001
"Joint Lead Managers"	Koala Securities Limited and Astrum Capital Management Limited
"Labour Department"	the Labour Department of the Government

"Latest Practicable Date"	28 July 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
"Legal Counsel"	Mr. Chan Chung, barrister-at-law of Hong Kong
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings of the Shares on the Main Board first commence, which is expected to be on or about Friday, 16 August 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended, modified and supplemented from time to time
"Ma Yau"	Ma Yau Engineering Limited (馬友工程有限公司), a company incorporated in Hong Kong on 24 March 1997 with limited liability, and a wholly-owned subsidiary of our Company after the Reorganisation
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the Main Board of the Stock Exchange
"main contractor"	in respect of a construction project, a contractor who is appointed by the project employer and who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other subcontractors
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 22 July 2019, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
"Mr. Adam Cheung"	Mr. Cheung Kwok Fai Adam (張國輝) (formerly known as Mr. Cheung Kwok Fai (張國輝)), an executive Director and one of our Controlling Shareholders
"Ms. LC Cheung"	Ms. Cheung Lai Chun (張麗珍), one of our Controlling Shareholders
"Nomination Committee"	the nomination committee of the Board

"NRMM Regulation"	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
"Offer Price"	HK$0.20 per Offer Share (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee)
"Offer Shares"	the Public Offer Shares and the Placing Shares
"OHSAS"	Occupational Health and Safety Assessment Specification, an international assessment specification for occupational health and safety management systems
"OHSAS 18001"	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business, where OHSAS 18001:2007 is the current version of OHSAS 18001
"Pak Fai"	Pak Fai Engineering Limited (栢輝工程有限公司), a company incorporated in Hong Kong on 21 April 1989 with limited liability, and a wholly-owned subsidiary of our Company after the Reorganisation
"Placing"	the conditional placing of the Placing Shares, at the Offer Price with professional, institutional and other investors by the Placing Underwriter(s) on behalf of our Company as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	the 585,000,000 Offer Shares initially being offered for subscription at the Offer Price under the Placing, but subject to the re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriter(s) of the Placing
"Placing Underwriting Agreement"	the underwriting agreement in relation to the Placing expected to be entered into among, inter alia, our Company and the Placing Underwriter(s)
"PRC" or "China"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan

"Public Offer"	the conditional offering by our Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	the 65,000,000 Offer Shares initially being offered for subscription at the Offer Price in the Public Offer subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are listed in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 5 August 2019 in relation to the Public Offer entered into among our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the Public Offer Underwriters
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed "History, Reorganisation and corporate structure" in this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholder, further details of which are contained in the paragraphs headed "Further information about our Company and its subsidiaries — 3. Resolutions in writing of the then sole Shareholder passed on 22 July 2019" in Appendix IV to this prospectus
"Sanfield"	Sanfield (Management) Limited, a company incorporated in Hong Kong on 23 June 1993 and a wholly-owned subsidiary of Sun Hung Kai Properties Limited, a company listed on the Stock Exchange (stock code: 16), being one of our major customers and an independent third party
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary shares of our Company with a nominal or par value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Shares
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 22 July 2019, a summary of its principal terms is set forth in the paragraphs headed "Other information — 1. Share Option Scheme" in Appendix IV to this prospectus
"Sole Bookrunner"	Koala Securities Limited, a licensed corporation engaging in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
"Sole Sponsor"	Grande Capital Limited, the sole sponsor for the Listing and a licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
"sq.ft."	square foot
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subcontractor"	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this prospectus
"Takeovers Code"	The Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
"Technical Circular"	the Technical Circular (Works) No. 1/2015 issued by the Works Branch of the Development Bureau on 8 February 2015 in relation to emissions control of NRMM in public works
"Track Record Period"	FY2016, FY2017, FY2018 and the three months ended 31 March 2019

"Underwriters"	the Public Offer Underwriters and the Placing Underwriter(s)
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$"	United States dollars, the lawful currency of the United States
"Vantage Charm"	VANTAGE CHARM LIMITED, a company incorporated in BVI with liability limited by shares on 26 October 2018, and an indirect wholly-owned subsidiary of our Company after the Reorganisation
"variation order(s)"	an order placed by customer during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; (ii) changes to any sequence, method or timing of construction specified in the main contract; and (iii) changes to the site or entrance to and exit from the site
"Wonderful Renown"	WONDERFUL RENOWN LIMITED, a company incorporated in BVI with liability limited by shares on 8 August 2018, and owned as to 84% and 16% by Mr. Adam Cheung and Ms. LC Cheung respectively, which together with Mr. Adam Cheung and Ms. LC Cheung are our Controlling Shareholders
"**White** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's/applicants' own name(s)
"**Yellow** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees deposit directly into CCASS
"%"	per cent

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to be correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions be proved to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business strategies and plan of operation;
- the success of our existing and future operation;
- our capital expenditure plans;
- our dividend policy;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- future development in the industries in which we operate;
- the global and domestic economy;

- laws, regulations and rules for the industry in which our Group operate;
- factors that are described in the section headed "Risk factors" in this prospectus; and
- other factors beyond our control.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Prospective investors should therefore not place undue reliance on any of the forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed "Risk factors" in this prospectus.

Potential investors should carefully consider all of the information set out in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading prices of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We generate a significant portion of our revenue from our five largest customers, in particular, Sanfield and any decrease or loss of business from our five largest customers could adversely and substantially affect our operations and financial conditions

During FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the revenue contributed by our five largest customers accounted for approximately HK$148.1 million, HK$221.6 million, HK$392.4 million and HK$136.4 million respectively, which accounted for approximately 97.5%, 90.4%, 90.9% and 97.9% of our total revenue for the corresponding years/period, while the revenue contributed by Sanfield accounted for approximately HK$94.9 million, HK$115.9 million, HK$181.7 million and HK$56.0 million respectively, which accounted for approximately 62.5%, 47.3%, 42.1% and 40.2% of our total revenue for the corresponding years/period. Although the percentage of our Group's total revenue attributable to our five largest customers had decreased over the Track Record Period and we had made considerable effort to diversify our customer base and attract new customers, we expect to continue to derive a significant amount of our revenue from our five largest customers in the near future. However, there is no assurance that there will be no deterioration in our relationship with our five largest customers or they will continue to engage us to provide services in the future. Any change or deterioration in our relationship with our five largest customers, in particular, Sanfield, may cause a significant adverse effect to our business, financial condition and results of operations. As such, should there be any adverse development related to our five largest customers' operation or any other reasons resulting in the termination of our business relationship with our five largest customers, our business, financial condition and results of operations would be adversely affected.

If there is a significant decrease in the number of projects or size of projects in terms of contract value awarded by our major customers to our Group for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results would be materially and adversely affected. Besides, if any of our major customers experiences any liquidity problem, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from our existing and potential customers.

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

Our revenue is mainly derived from projects which are non-recurrent in nature and any failure of our Group to secure tender contracts would affect our operations and financial results

During the Track Record Period, our revenue were derived from contracts awarded through competitive tendering and is not recurring in nature. We generally submit new tenders or bid for new contracts from time to time and there is a risk that we may not succeed in tendering for new projects. Moreover, there is no assurance that the terms and conditions of the new contracts would be comparable to the existing contracts or our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favourable terms to our customers in order to increase the competitiveness of our tenders. If we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected. Furthermore, so far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our reputation, business operations, financial condition and results of operations may be adversely affected.

Our tender success rate was 13.8%, 14.3%, 13.6% and nil for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past. As at the Latest Practicable Date, we have established stable business relationships with our five largest customers during the Track Record Period for around one to 29 years. However, the future results of our operation may be impacted due to changes in relationships with our major customers. In the event that our Group fails to secure new contracts or there is a significant reduction of contracts for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operations and profitability

We focus on project management of wet trades works and subcontract different parts of works to different subcontractors. Please refer to the section headed "Business — Suppliers and subcontractors" in this prospectus for further details. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, subcontracting fees incurred by us amounted to approximately HK$120.9 million, HK$198.1 million, HK$351.1 million and HK$111.4 million, respectively. There is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, our inability to engage qualified subcontractors could hinder our ability to complete a project within the prescribed deadline.

Outsourcing exposes us to risks associated with non-performance, delayed performance or substandard performance by our subcontractors. Accordingly, we may experience deterioration in the quality or delay in completion of our projects. We may also incur additional costs due to the delays or a higher price in sourcing the services, equipment or supplies in default. We are usually liable for our subcontractors' default. These events may have an impact on our profitability, financial performance and reputation, as well as expose us to litigation or damages claims.

In addition, we cannot assure you that we can secure suitable subcontractors when required or obtain acceptable fees and terms of service with our subcontractors, as these may be affected by factors beyond our control, such as the number of available or on-going projects in the market or pricing policy and business strategies of our subcontractors. In such event, our operation and profitability may be adversely affected.

In the event that our subcontractors fail to follow the safety guidelines and other requirements imposed by our customers, we may be liable to pay to our customers the expenses and penalties incurred by them. Although we are entitled to be indemnified from our subcontractors in relation to such penalties under the subcontracting agreement, we may not be able to claim from such subcontractors in order to maintain a long-term relationship with our major subcontractors. In such event, we may be subject to additional costs and penalties incurred by our subcontractors in relation to their failure to comply with the safety procedures and other requirements imposed by our customers.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject to prosecutions as primary defendant by relevant authorities. For instance, under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site. Moreover, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), a principal contractor or a principal contractor and superior subcontractors (where applicable) shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may be adversely affected if any of our subcontractors violate their obligations to pay their employees.

Error or inaccurate estimation of project duration and costs when determining the tender price may result in substantial loss incurred by us

Wet trades contracts are normally awarded through a competitive tendering process. We determine a tender price by estimating the costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by us contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to us with mistakes or errors in the submitted tender, we may be bound by the contract to undertake the project at a substantial loss.

Inaccurate estimation on project schedule, project costs and technical difficulties in the tendering process may result in cost overruns when we actually execute the awarded project. Many factors affect the time taken and the costs actually involved in completing construction projects undertaken by us. Examples of such factors include shortage and cost escalation of labour and materials, adverse weather conditions, variations to the work plans instructed by customers, stringent technical requirements, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents and changes in the Government's policies. According to the Industry Report, the recent scandals in infrastructure development project (e.g. Shatin-Central Rail Link) have entailed to a more stringent inspection of the quality of construction materials and construction processes in construction projects in Hong Kong. The more stringent inspection requirements may shorten the period for finishing works, including wet trades works. Accordingly, wet trades contractors may be confronted with higher risks and cost associated with tightened project timeline. Other unforeseen problems or circumstances may also occur during project implementation. If any of such factors arises and remains unresolved, completion of project may be delayed or we may be subject to cost overruns or our customers may even be entitled to terminate the contract unilaterally.

We may enter into fixed fee contracts and provisional fee contracts with our customers, while we usually enter into provisional fee contracts with our subcontractors. In the event that we enter into fixed fee contracts with our customers and the cost of subcontracting increases and we are unable to pass on the risk of increased subcontracting fees to our customers, our profitability may be adversely affected. Most of our contracts contain specific completion schedule requirements and liquidated damages provisions (i.e. we may be liable to pay the customer liquidated damages if we do not meet the schedules). For details, please refer to the paragraph headed "Business — Customers — Major terms of engagement with our customers" in this prospectus. Liquidated damages are typically levied at an agreed fee for each day of delay that is owing to our default. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit expected from the relevant contracts.

A project may be delayed or its costs may be increased because of delays during the process of obtaining any specific permits or approvals from relevant agencies or authorities of the Government. Failure to complete works according to specifications and quality standards may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the wet trades project concerned. Such delays or failure to complete and/or unilateral termination of a contract by customers may cause our revenue or profitability to be lower than we originally expected. We cannot guarantee that we will not encounter cost overruns or delays on our current and future projects. If such cost overruns or delays occur, we may experience increases in costs exceeding our budget or be required to pay liquidated damages, hence reduction in or elimination of the profits on our contracts.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our revenue amounted to approximately HK$152.0 million, HK$245.0 million, HK$431.8 million and HK$139.4 million, respectively. For the same years/period, our gross profit amounted to approximately HK$16.0 million, HK$27.9 million, HK$52.9 million and HK$17.3 million, while our profit and total comprehensive income for the year/period amounted to approximately HK$11.4 million, HK$21.3 million, HK$40.3 million and HK$3.2 million, respectively, whereas our gross profit margin was approximately 10.5%, 11.4%, 12.2% and 12.4%, respectively. For a detailed discussion of our results of operations, please refer to the section headed "Financial information" in this prospectus. The trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control our costs. Profit margins for our contracts may fluctuate from project to project due to factors such as the accuracy of our estimation of our costs, the complexity and size of the project, the price of the construction materials and subcontracting fees. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

Our business growth may not be sustainable despite our revenue remained stable for the financial year ended 31 December 2013 ("FY2013") and 2014 ("FY2014"), and increased by approximately 112.7% for the financial year ended 31 December 2015 ("FY2015")

Our revenue grew at a CAGR of approximately 68.6% from FY2016 to FY2018, while our revenue grew at a slower rate at a CAGR of approximately 48.2% for the three years preceding the Track Record Period (the "**Pre-Track Record Period**") based on the combined management accounts of our Group (the "**Combined Management Accounts**").

Based on the Combined Management Accounts, both our revenue and gross profit margin for FY2013 and FY2014 remained relatively stable; while both our revenue and gross profit margin increased substantially for FY2015. The increase in revenue and gross profit margin for FY2015 when compared with FY2014 was primarily driven by the revenue contributed by some sizeable projects with relatively higher profit margins undertaken by us during the year. Our revenue and profit margin dropped from FY2015, which was a recorded high point during the Pre-Track Record Period, to approximately HK$152.0 million and 10.5%, respectively, in FY2016, primarily due to the fact that we undertook less sizeable projects in FY2016 with high profit margin when compared with FY2015.

Our revenue and profit margin are primarily affected by the availability of construction projects up for tender, the number, size and profit margin of the projects our Group tendered and finally awarded, the subcontracting fees, the tender prices and our estimation of costs involved in projects when determining tender price. Such factors are in turn affected by many external factors, such as market conditions, general economic and political conditions in Hong Kong and customers' preference, which are beyond our control.

Given the fluctuations of our revenue and profit margin for the Pre-Track Record Period and Track Record Period were largely dependent on the size and profitability of projects undertaking by us, if we could not take up projects which are sizable with high profit margin, our revenue and profit margin, and thus our financial conditions, would be adversely affected. There is no guarantee that we could take up projects of comparable size and profitability as those we have taken up during the Track Record Period and the Pre-Track Record Period in the future. In the event our Group is unable to secure sufficient number of sizable and profitable projects, our historical business growth recorded for the Track Record Period and the Pre-Track Record Period may not be sustained and we may even experience a decline in our financial condition.

If we are unable to receive progress payments on time and in full or recover our contract assets, or if retention money is not fully released to us after expiry of the defects liability period, our liquidity and financial position may be materially and adversely affected

We normally receive progress payment from our customers. Progress payment is generally made monthly by reference to the progress of works performed during the month. A portion of contract value (which generally ranges from 5% to 10% and subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money, except for Sanfield, who usually retains nil to 3% of the contract sum as retention money. Please refer to the section headed "Business — Customers — Major terms of engagement with our customers" in this prospectus for further details. As at 31 December 2016, 2017, 2018 and 31 March 2019, we recorded retention receivables of approximately HK$7.1 million, HK$10.0 million, HK$22.2 million and HK$22.9 million, respectively. However, there is no assurance that our retention money will be released by our customers to us on a timely manner and in full.

Contract assets represent our Group's rights to considerations from customers for the provision of construction services, which arise when: (i) our Group completed the relevant services under such contracts; or (ii) the customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional. Our Group recorded contract assets of approximately HK$26.0 million, HK$34.1 million, HK$83.6 million and HK$102.2 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively. For details of the subsequent settlement of these contract assets, please refer to the section headed "Financial information — Discussion of selected statement of financial position items — Contract assets/liabilities" in this prospectus.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If we are unable to receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

We are subject to credit risk in respect of our trade receivables

When undertaking contract works, our Group may incur upfront costs which arise from (i) net cash outflow at the early stage of a projects; and (ii) net cash outflow during the project until the cash flow breakeven. Please refer to the section headed "Future plans and use of proceeds - Use of proceeds - (i) Payment for upfront costs" in this prospectus for details.

Based on the experience of our Directors, the amount of work over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of work. We expect a continual net cash outflow even after the first payment received from our customers with the increasing costs incur such as subcontracting fees. If we choose to pay our suppliers only after receiving payments from our customers, we will risk our reputation in being able to make payments on a timely manner, which could harm our ability to engage capable and quality suppliers for our business in the future. On the other hand, after we apply for payment from our customers, there is generally an assessment process on works completed and we cannot guarantee that our customers will pay in a timely manner or pay the full amount invoiced by us.

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

There can be no assurance that our customers will settle our invoices on time and in full. As at 31 December 2016, 2017, 2018 and 31 March 2019, we recorded trade receivables of approximately HK$12.6 million, HK$23.8 million, HK$31.2 million and HK$26.8 million, respectively.

We had concentration of credit risk in trade receivables as approximately 100.0%, 91.3%, 95.5% and 100.0% of our total trade receivables outstanding as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively, were due from our five largest customers. The aggregate amounts of our trade receivables amounted to approximately HK$12.6 million, HK$21.7 million, HK$29.8 million and HK$26.8 million from our five largest customers, as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

The amount of performance bonds we are required to provide may expose us to liquidity risk

During the Track Record Period, we had been awarded two contracts, namely project P32 and project P46 (project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus) with an original contract sum of approximately HK$36.0 million, in aggregate, under which we were contractually required to obtain performance bonds from a bank in order to secure our due and timely performance. During February 2019, we had also been awarded one contract (i.e. project P48) with an original contract sum of approximately HK$104.1 million, which was expected to be commenced in the third quarter of FY2019, and under which we were contractually required to obtain performance bonds. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had also submitted tenders for wet trades projects which may require us to provide performance bonds. For details, please refer to the table of potential projects set out in the section headed "Future plans and use of proceeds — Use of proceeds" in this prospectus. The amount of performance bonds to be obtained would normally amount to 10% of the original contract sum. We would be required to pledge our deposits with the bank representing the same amount of performance bonds to be obtained for the projects. Given our intention to expand our market share through undertaking more sizeable projects, in particular from new customers, we may inevitably encounter tender invitations that require us to obtain performance bonds to secure our performance. The performance bonds are generally issued by banks and secured by deposits pledged with the banks. Significant amount of cash deposits pledged may adversely affect our liquidity position. Further, if we fail to perform our obligations under contracts, the bank will compensate our customers up to the amount of the performance bond on demand and in turn we will then become liable to compensate the bank. In such circumstances, our business, financial condition and results of operations will be adversely affected.

Our revenue and profit margin are subject to fluctuations driven by variation orders, and our historical revenue and profit margin may not be indicative of our future financial performance

Our customers may, in the course of project execution, place orders concerning variation to part of the wet trades services that is necessary for the completion of the project. Such orders are commonly referred to as variation orders. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our total revenue amounted to approximately HK$152.0 million, HK$245.0 million, HK$431.8 million and HK$139.4 million, respectively, of which our revenue recognised for variation orders amounted to approximately HK$42.6 million, HK$87.9 million, HK$54.1 million and HK$42.4 million, respectively. For further details on variation orders, please refer to the section headed "Business — Operation flow — Variation orders" in this prospectus.

Given the nature of our business, our revenue and profit margin are inherently subject to fluctuations driven by variation orders. Our revenue and profit margin are affected by the amount of variation orders requested by our customers and the timing of their requests from year to year. The amount and timing of variation orders vary depending on the practice and procedures of our customers, the complexity and scale of the variation orders and the number of variation orders involved. There is no assurance that the actual amount of revenue to be recognised from our projects in progress will not be substantially different from the initial contract sum as stipulated in the contracts.

Where the works under the variation order is the same or similar to the works prescribed in the original contract, the rate of the works under the variation order usually accord with that of the original contract. If there were no equivalent or similar items under the original contract for reference, we will further agree on the rates with our customers. We cannot assure you that the amount of fees and charges as finally agreed with our customers would be sufficient to recover our costs incurred or provide us with a reasonable profit margin or the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts. Our financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of variation orders. As a result, we cannot assure you that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors, are important to us. Details of their expertise and experience are set out in the section headed "Directors and Senior Management" in this prospectus. If any of our executive Directors ceases to be involved in the management of our Group in the future and our Group is unable to find a suitable replacement in a timely manner, there could be an adverse impact on our business, results of operations and profitability of our Group.

The expertise of our project management staff is crucial in improving our overall project management and implementation in a cost-effective manner so as to improve our profit margin. We cannot assure you that we will be able to attract and retain our key management personnel or project management staff. If we fail to retain capable and experienced employees or find suitable replacements in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to claims arising from latent defects liability

We do not maintain any defects liability insurance and we may face claims arising from latent defects that are existing but not yet active, developed or visible, found in the works which are constructed by us. If there is any significant claim against us for latent defects liability of any default or failure of our services by our customers or other party, our profitability may be adversely affected.

If any defect is claimed under the defects liability period, the amount claimed by our customers or rectification costs on the defects incurred by us will be charged to profit or loss and deducted against the retention money withheld by our customers (i.e. retention receivable) when those costs are incurred. If any defect is found during inspection, we may be requested to perform rectification works or claimed by our customers for the rectification costs. If the defect is found and claimed by our customers after the defect liability period, we will assess the possible obligation arising from the claim. Such obligation will be recognised as liability in the statement of financial position if the obligation is considered highly probable and the obliged amount can be reliably measured. Otherwise, such claim will be disclosed as contingent liability.

We are subject to environmental liability

Our business is subject to the environmental regulations and guidelines issued by the Government, which apply to the operation of all construction projects (including wet trades projects) in Hong Kong. Such regulations and guidelines may be amended by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines could impose additional cost and burden to us, leading to an adverse impact on our business, results of operations and profitability of our Group.

It is not uncommon in our industry to have numerous disputes and litigation. Our performance may be adversely affected by such disputes and litigation

It is not uncommon in our industry to have disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, workers and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the works. Please refer to the section headed "Business — Litigation and potential claims" in this prospectus for further information on litigation and potential claims we encountered during the Track Record Period. As a result of these claims and litigation, our relationship with the relevant customers, subcontractors, suppliers or workers may be damaged. Further, our reputation in the construction industry may also be adversely affected.

The handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management's attention and input. Handling of legal proceedings and disputes can be both costly and time-consuming, and may significantly divert the efforts and resources of our management.

In addition, the outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Should any claims against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

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

We intend to further expand our market share by competing for more wet trades projects and enhance our manpower and machinery in order to cope with the expected increase in demand for our wet trades services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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

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

Certain risks cannot be insured against

There are certain types of losses for which insurance coverage is not generally available (such as risks in relation to our ability to secure new contracts, potential claims arising from latent defects liability, estimation and management of costs, subcontractors' performance, liquidity risk, collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, etc.) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In that case, our business operations, financial condition and results of operations may be adversely affected.

We experienced net operating cash outflow for FY2018 and the three months ended 31 March 2019

We recorded net cash outflow from operating activities of approximately HK$1.1 million and HK$754,000 for FY2018 and the three years ended 31 March 2019, respectively. Net cash used in operating activities during FY2018 was mainly due to the increase in contract assets (which consists of unbilled revenue and retention receivables) and trade receivables, while net cash used in operating activities during the three months ended 31 March 2019 was mainly due to the increase in contract assets (in particular the increase in unbilled revenue), despite we recorded a positive operating cash flow before movement in working capital during FY2018 and the three months ended 31 March 2019. Please refer to the section headed "Financial information – Liquidity and capital resources" in this prospectus for further details.

We may experience periods of net cash outflow from operating activities in the future. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the required financing on terms acceptable to us, or at all at the material time. If we are unable to obtain sufficient funds to finance our business as financing on terms acceptable to us, our liquidity and financial condition may be materially and adversely affected.

Our future plans may result in a significant increase in our costs of services and administrative expenses

We plan to, among others, expand our workforce, upgrade our office facilities, acquire additional machinery and equipment and rent a new warehouse by utilising a portion of the net proceeds from the Share Offer. Please refer to the sections headed "Business – Business strategies" and "Future plans and use of proceeds – Use of proceeds" in this prospectus for details. As a result of our future plans, it is expected that additional depreciation, staff costs and rental expenses will be charged to our profit and loss and may therefore affect our financial performance and operating results.

Personal injuries, property damages or fatal accidents may occur if safety measures are not followed at the construction sites

In the course of our operations, we require our employees and subcontractors to adhere to and implement all the safety measures and procedures as stipulated in our work and safety policy. We monitor and supervise closely our employees in the implementation of all such safety measures and procedures during execution of works. However, we cannot guarantee that our employees or subcontractors will not violate the applicable laws, rules or regulations. If any such employees or subcontractors fails to comply with our safety measures at the construction sites, personal injuries, property damages or fatal accidents may occur in greater numbers and/or to a serious extent. Please refer to the section headed "Business — Occupational health and safety — System of recording and handling accidents and our safety compliance record" in this prospectus for further information on the material accidents we encountered during the Track Record Period. These may adversely affect the financial position of our Group to the extent not fully recoverable from our insurance policies. They may also cause our relevant registration, licence and/or certifications to be suspended or not renewed.

Furthermore, public project tenders are generally evaluated by taking into account a number of factors, which include, without limitation, the subcontractor's compliance records with the relevant laws and regulations. We may also be subject to inspections by the relevant Government departments (e.g. Labour Department) from time to time and these inspections may lead to formal charge(s) against our Group. Non-compliance and conviction records may affect our chance of winning future bids.

The unavailability of any favourable regulatory treatment, particularly government subsidy, could affect our business, financial condition and results of operations

We enjoy certain favourable regulatory treatments. In particular, we received government subsidy of approximately HK$670,000 in FY2018 which mainly represents subsidy from Construction Industry Council's Employment Subsidy Scheme for training wet trades workers. Please refer to the section headed "Financial information – Principal components of results of operations – Other income" in this prospectus for further details.

It is in the government authorities' sole discretion, subject to relevant laws, regulations and policies, to decide whether and when to provide government subsidy to us. We cannot assure you that we will be able to receive government subsidy in the future. Furthermore, although we believe that government subsidy are provided by authorities in compliance with current policies, we face uncertainty relating to the availability of government subsidy due to potential unexpected changes in the Hong Kong laws, regulations and policies. If we are unable to obtain or maintain government subsidy in the future, we may experience decreases in profitability, and our business, financial condition and results of operations could be affected.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on trends and developments in the wet trades works industry

Our operations are principally located in Hong Kong during the Track Record Period. The future growth and level of profitability of the wet trades works industry in Hong Kong depend on the market conditions, the general conditions and prospects of Hong Kong's economy. If there is any recurrence of recession in Hong Kong, our operations and profitability could be adversely affected. In addition, any change in the existing political environment in Hong Kong may bring about instability of its economy, thereby adversely affects the construction industry in which we operate.

Our performance depends on market conditions and the general economic and political conditions in Hong Kong

The future growth and level of profitability of the wet trades works industry in Hong Kong depend primarily upon the continued availability of construction projects. The availability of construction projects will be determined by the interplay of a variety of factors. These factors include the Government's spending patterns on the construction industry in Hong Kong and its land supply and public housing policy, the approval of the relevant budgets and plans on construction projects by the Legislative Council of Hong Kong and the investment of property developers. If there are any changes in Hong Kong's land supply and public housing policy, the demand for wet trades works in Hong Kong may deteriorate and our operations and profitability could be adversely affected. Apart from the public spending of the Government, other factors also affect the construction industry. These other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector.

We operate in a relatively competitive environment

According to the Industry Report, the wet trades works industry in Hong Kong is competitive and fragmented with approximately 530 contractors and subcontractors registered under the category of "Finishing Wet Trades" and "Marbles, Granite and Stone work" in the Subcontractors Registration Scheme of the Construction Industry Council as at 31 January 2019. For more information, please refer to the section headed "Industry overview — Competitive landscape of wet trades works industry in Hong Kong" in this prospectus. Some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having a longer operating history, better financing capabilities and more well-developed technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our business may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts. If we fail to maintain our competitiveness in the future, our business, financial condition and results of operations may be materially and adversely affected.

Rising costs and shortage of wet trades workers may increase our costs and affect our performance

Wet trades works are generally labour-intensive in nature. However, the construction industry in Hong Kong in general, and the wet trades industry in specific, is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. According to the Industry Report, the average daily wages of major wet trades workers in Hong Kong increased from approximately HK$1,239.9 per day in 2014 to approximately HK$1,472.8 per day in 2018, representing a CAGR of approximately 4.4%. If labour costs in Hong Kong keep increasing, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

Moreover, there is no assurance that the supply of labour will be sufficient during the forthcoming years. In addition, according to the Industry Report, an aging labour force may threaten the development of the wet trades works industry. This implies potential labour shortage problems in the future, which may further escalate labour costs in the industry. Accordingly, our subcontracting costs including labour costs of our subcontractors may escalate. Even if there is a significant increase in the labour costs, we have to retain our labour (likewise our subcontractors retain their labour) by increasing the wages. The staff cost and/or subcontracting cost will thus increase and our profitability may be reduced. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on time, resulting in our liability on liquidated damages and/or compensation for financial losses of other parties.

Rising costs and limited supply of raw materials may increase our costs and affect our performance

The major raw construction materials in wet trades works include Portland cement, aggregates and sand. Although there is a slight decrease in the average price of Portland cement, the average prices of most of the construction materials applied in wet trades works have shown an increasing trend in the past six years. Amongst all of the wet trades works materials, the average price of sand has increased the most, which grew at a CAGR of 14.5% from approximately HK$118.9 per metric tonne in 2014 to approximately HK$204.4 per metric tonne in 2018. If raw material costs of wet trades works industry keep increasing, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

According to the Industry Report, river sand and aggregates, which are scarce natural resources, have been gradually depleted. Given that the main source of river sand and aggregates used in Hong Kong originate from Guangdong Province, where the local government has imposed export quotas to ease the local shortages as demand outstrips supply, wet trades contractors, including our Group, are facing occasional fluctuations in the supply of river sand and aggregates. In the event of a shortage of river sand and aggregates, if we are unable to source sufficient river sand and aggregates promptly to meet the needs of our wet trades projects, our project progress could be delayed and we may not be able to complete the projects on time in accordance with customers' requirement. In such event, our reputation and our tender success rate in the future may be adversely affected. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claim by our customer arising from any failure to complete our projects on time as a result of any fluctuations in the supply of river sand and aggregates.

Industrial actions or strikes may affect our business

Industrial action or strike of wet trades workers may disrupt the project progress. During the Track Record Period, our projects did not encounter any industrial action or strike action. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely impact our business performance and hence the profitability and results of our operation. Any delays in the completion of our works caused by such action may impact our likelihood of winning future tenders as it is a factor affecting our customers' decisions in awarding tenders.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Conducting business in Hong Kong involves certain political risks

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems". However, we cannot assure you that the implementation of the "one country, two systems" principle and the level of autonomy as currently in place will be maintained in the future. Any change of such political arrangements may have an impact on the economy in Hong Kong, thereby directly affecting our operation in Hong Kong. Our business, financial condition and results of operations may, as a result, be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

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

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

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

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, our Group may need to raise additional funds in the future to finance business expansion, new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. Our Group cannot predict the effect, if any, that any future sales of the Shares by any of our Controlling Shareholders, may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among other things, the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. Please refer to Appendix III headed "Summary of the constitution of our Company and Cayman Islands company law" for a summary of the Cayman Companies law, in this prospectus.

Risk of termination of the Underwriting Agreements

Prospective investors should note that the Sole Bookrunner is entitled to terminate the Underwriting Agreements by giving written notice to our Company upon the occurrence of any of the events stated in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Public Offer Underwriting Agreement — Grounds for termination of the Public Offer Underwriting Agreement" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of government, strikes, lock-out, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident. Should the Sole Bookrunner (for itself and on behalf of the Underwriters) exercise its rights and terminate the Underwriting Agreements, the Share Offer will not proceed and will lapse.

Granting options under the Share Option Scheme may affect our Group's results of operations and dilute Shareholders' percentage of ownership

Our Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date. Any exercise of the option to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the ownership percentage of the Shareholders and may result in a dilution in the earnings per share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue. Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

RISKS RELATING TO THIS PROSPECTUS

Certain facts, statistics and data contained in this prospectus have not been independently verified and may not be reliable

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted rendering such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, the Underwriters or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

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

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers, the Co-lead Managers and the Underwriters, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Share Offer. You should rely only on the information contained in this prospectus.

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

This prospectus contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking statements" in this prospectus for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ON THE SHARE OFFER AND UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by Grande Capital Limited. The Public Offer is fully underwritten by the Public Offer Underwriters. The Share Offer is managed by the Sole Bookrunner.

RESTRICTIONS ON SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his acquisition of the Offer Shares to have confirmed, that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer, and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY

All Offer Shares sold pursuant to applications made in the Public Offer will be registered on our Company's branch share register to be maintained in Hong Kong. Our Company's principal share register will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in the Offer Shares registered in the branch share register of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid by cheque to the Shareholders, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder, or in the case of joint Shareholders, to the registered address of that one whose name stands first in the register in respect of the joint holding, or to such person and to such address as the Shareholder or joint Shareholders may in writing direct.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares. None of our Company, the Sole Bookrunner, the Sole Sponsor, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of the Offer Shares.

STRUCTURE OF THE SHARE OFFER

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

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" in this prospectus and on the related Application Forms.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer 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 on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

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, 16 August 2019. Shares will be traded in board lots of 10,000 Shares each.

The stock code of the Shares is 1920.

LANGUAGE

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

ROUNDING

Certain monetary amounts 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 which precede them.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Cheung Kwok Fai Adam (張國輝) (formerly known as Mr. Cheung Kwok Fai (張國輝))	Flat C, 22/F, Tower 3A, The Austin 8 Wui Cheung Road Tsim Sha Tsui Kowloon Hong Kong	Chinese
Mr. Ng Sheung Chung (伍尚聰)	Flat B, 10/F, Hoi Ning Mansion (Block 17) Riviera Gardens Tsuen Wan New Territories Hong Kong	Chinese
Mr. Ma Kan Sun (馬庚申)	No. 251, Tai Hang Fui Sha Wai Tai Po New Territories Hong Kong	Chinese
Independent non-executive Directors		
Mr. Pak Shek Kuen (白錫權)	Flat E, 59/F, Block 5, Bellagio 33 Castle Peak Road Sham Tseng New Territories Hong Kong	Chinese
Mr. Lo Chi Hung (盧志雄)	Flat B, 14/F, Hoi Ning Mansion (Block 17) Riviera Gardens Tsuen Wan New Territories Hong Kong	Chinese
Mr. Ho Kwok Lung (何國龍)	1/F, 216, Tin Sam Village Shatin New Territories Hong Kong	Chinese

Please refer to the section headed "Directors and senior management" in this prospectus for further details of our Directors.

PARTIES INVOLVED

Sole Sponsor	**Grande Capital Limited** Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road, Admiralty Hong Kong (A licensed corporation engaging in Type 6 (advising on corporate finance) regulated activity under the SFO)
Sole Bookrunner	**Koala Securities Limited** Units 01-02, 13/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong (A licensed corporation engaging in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
Joint Lead Managers	**Koala Securities Limited** Units 01-02, 13/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong (A licensed corporation engaging in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
	Astrum Capital Management Limited Room 2704, 27th Floor, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong (A licensed corporation engaging in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)

Co-lead Managers	**Yellow River Securities Limited** Room A, 24/F Tai Yau Building 181 Johnston Road Wanchai Hong Kong (A licensed corporation engaging in Type 1 (dealing in securities) regulated activity under the SFO)
	Ruibang Securities Limited 9/F Sang Woo Building 227-228 Gloucester Road Wanchai Hong Kong (A licensed corporation engaging in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
	Mouette Securities Company Limited Flat 1301 13/F Tung Wai Commercial Building 109-111 Gloucester Road Wanchai Hong Kong (A licensed corporation engaging in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)
Legal advisers to our Company	As to Hong Kong law **Guantao & Chow Solicitors and Notaries** Suites 1801-3, 18/F One Taikoo Place 979 King's Road Quarry Bay Hong Kong
	As to Hong Kong law **Mr. Chan Chung** *Barrister-at-law* 10/F, Grand Building 15-18 Connaught Road Central Central Hong Kong

	As to Cayman Islands law **Appleby** 2206-19 Jardine House 1 Connaught Place Central, Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	As to Hong Kong law **Sidley Austin** 39/F, Two Int'l Finance Centre Central Hong Kong
Auditors and reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountant* 35/F One Pacific Place 88 Queensway Hong Kong
Compliance adviser	**Grande Capital Limited** Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road, Admiralty Hong Kong (A licensed corporation engaging in Type 6 (advising on corporate finance) regulated activity under the SFO)
Industry consultant	**Frost & Sullivan Limited** 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Property valuer	**Valtech Valuation Advisory Limited** Unit 1, 19/F, Remington Centre 23 Hung To Road, Kwun Tong Kowloon Hong Kong
Receiving bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower, 3 Garden Road Central Hong Kong

Registered office	Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Room 9, 2/F Hang Bong Commercial Centre 28 Shanghai Street Jordan, Kowloon Hong Kong
Company's website	***www.handsform.com*** *(Information contained in this website does not form part of this prospectus)*
Authorised representatives	Mr. Cheung Kwok Fai Adam (張國輝) Flat C, 22/F, Tower 3A The Austin 8 Wui Cheung Road Tsim Sha Tsui Kowloon Hong Kong Mr. Tsui Chun Hung (崔雋雄) *(HKICPA)* Flat 2705, 27/F, Sau Yin House Sau Mau Ping Estate Kwun Tong, Kowloon Hong Kong
Company secretary	Mr. Tsui Chun Hung (崔雋雄) *(HKICPA)* Flat 2705, 27/F, Sau Yin House Sau Mau Ping Estate Kwun Tong, Kowloon Hong Kong
Audit Committee	Mr. Pak Shek Kuen (白錫權) *(Chairman)* Mr. Lo Chi Hung (盧志雄) Mr. Ho Kwok Lung (何國龍)
Remuneration Committee	Mr. Lo Chi Hung (盧志雄) *(Chairman)* Mr. Pak Shek Kuen (白錫權) Mr. Ho Kwok Lung (何國龍)

Nomination Committee	Mr. Cheung Kwok Fai Adam (張國輝) *(Chairman)* Mr. Pak Shek Kuen (白錫權) Mr. Lo Chi Hung (盧志雄) Mr. Ho Kwok Lung (何國龍)
The Cayman Islands principal share registrar and transfer office	**Estera Trust (Cayman) Limited** Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	**Boardroom Share Registrars (HK) Limited** 2103B, 21/F, 148 Electric Road North Point, Hong Kong
Principal banker	**The Bank of East Asia Limited** 10 Des Voeux Road Central, Hong Kong

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect; and that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, any of the Underwriters, or their respective directors and officers or any other parties involved in the Share Offer (other than Frost & Sullivan) nor is any representation is given as to their accuracy or completeness.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market search agency to conduct an analysis of, and to report on, the wet trades works industry in Hong Kong. A total fee of HK$550,000 was charged by Frost & Sullivan for the preparation of the Industry Report. The Industry Report has been prepared by Frost & Sullivan independent of our Group's influence. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Industry Report. The payment of such amount was not conditional on our Group's successful listing or on the results of the Industry Report.

Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries.

The Industry Report includes information on the wet trades works industry in Hong Kong. The information contained in the Industry Report is derived by means of data and intelligence gathering which include: (i) desktop research; and (ii) primary research, including interviews with key stakeholders including but not limited to wet trades works contractors and industry experts in Hong Kong.

Information gathered by Frost & Sullivan has been analysed, assessed and validated using Frost & Sullivan in-house analysis models and techniques. According to Frost & Sullivan, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Industry Report. Other sources of information, including the Government, trade association or market place participants, may have provided some of the information on which the analysis or data is based.

Frost & Sullivan developed its estimates or forecast on the following principal bases and assumptions: (i) it is assumed that the Hong Kong economy remains a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or natural disaster to affect the demand and supply of the wet trades works industry in Hong Kong during the forecast period.

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

Gross value of construction works performed

According to Census and Statistics Department of Hong Kong, the gross value of construction works performed by main contractors in Hong Kong increased from approximately HK$199.8 billion in 2014 to approximately HK$252.1 billion in 2018, representing a CAGR of approximately 6.0%. The growth was primarily driven by the increase in construction activities for key infrastructure and property development projects. Attributable to the planned infrastructure, buildings development projects, specialised installation and maintenance works, the gross value of construction works performed by main contractors in Hong Kong is expected to grow steadily at a CAGR of approximately 4.1% during 2019 to 2023.

Introduction of fitting-out works

Fitting-out works refer to the process of making interior space suitable for occupation, and provide necessary equipment and installations for the buildings, generally include site preparation work, partitioning work, steel and metal work, woodwork, marble work, stone work, plastering and painting work and certain building services, such as electrical and plumbing and drainage installation system. Fitting-out works are generally conducted based on specific interior design for partitioning, flooring, ceiling, electrical installation, and meeting the environmental requirements and is provided for newly constructed buildings and existing buildings that require renovation works.

OVERVIEW OF THE WET TRADES WORKS INDUSTRY IN HONG KONG

Introduction of wet trades works

Wet trades works is defined as a subset of fitting-out works. In Hong Kong, wet trades works generally involves the use of dry construction materials that mixed with water. Common scope of wet trades works includes ceiling, floor and wall plastering, interior and exterior tiling, brickwork, marble works, painting and decorating, as well as other interior and exterior fitting, decoration and repairs for buildings. Wet trades contractors may also provide wet trades related ancillary works such as cleaning, smoothing platform, applying sealant, washed granolithic screed and on-site logistic service etc.. The demand for wet trades works is associated with construction, renovation, maintenance, addition and alteration of buildings in mainly residential (e.g. private residential buildings and public housing) and commercial segments (e.g. hotel, office buildings, retail stores and shopping malls), as well as industrial buildings, government buildings, community facilities transportation and public infrastructure and so on. The table below sets out the description of common scope of wet trades works.

Scope of works	Description
Plastering	Plastering refers to application of coating, with a composition of gypsum or ash, cement, sand with water, that protects and decorates ceiling, floor, wall and stairs.
Brickwork (e.g. bricklaying)	Bricks are commonly used for the construction of walls with a layer of mortar between bricks to enable bricks to be positioned more easily.
Wall and floor tiling	Interior and exterior wall and flooring tiling refers to trimming and connecting ceramic tiles on walls and floors.
Marble works	Marble works refers to fabricating, polishing, setting and installation of marble and other limestones in an interior and exterior part (e.g. floor and wall) of a building structure.

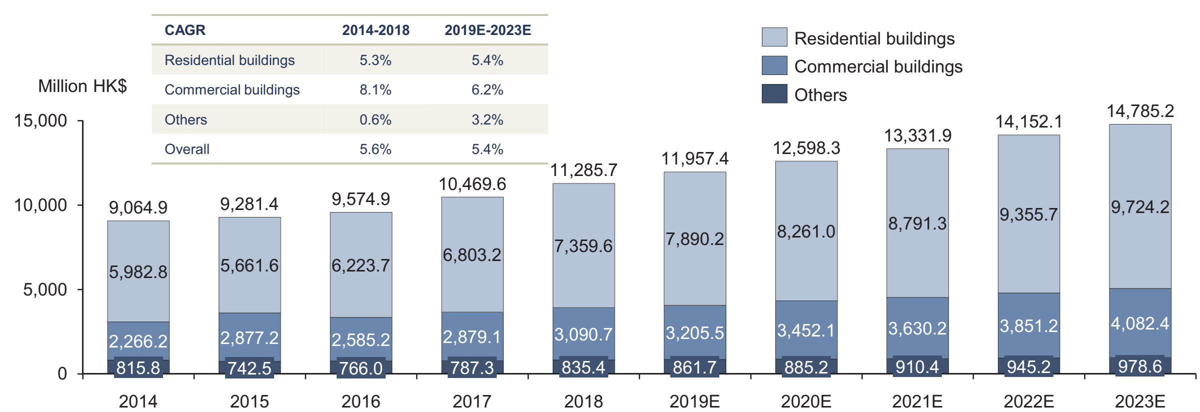
Source: Frost & Sullivan

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

Wet trades subcontractors generally work with main contractors and are mainly responsible for managing wet trades workers, coordinating subcontractors and supervising the progress and quality of wet trades works. It is common in the wet trades works industry that the works are subcontracted to different subcontractors. These subcontractors include direct labour and are commonly engaged on a project-by-project basis, given the fact that hiring a pool of workers under permanent agreement can be costly.

Market size of wet trades works in Hong Kong

Gross value of wet trades works by segment in Hong Kong, 2014-2023E



Note: The gross value of construction works refers to the revenue of the wet trades works industry in nominal term performed by main contractors and subcontractors in construction sites, and is indicative for the revenue of wet trades works contractors involved.

Source: Frost & Sullivan

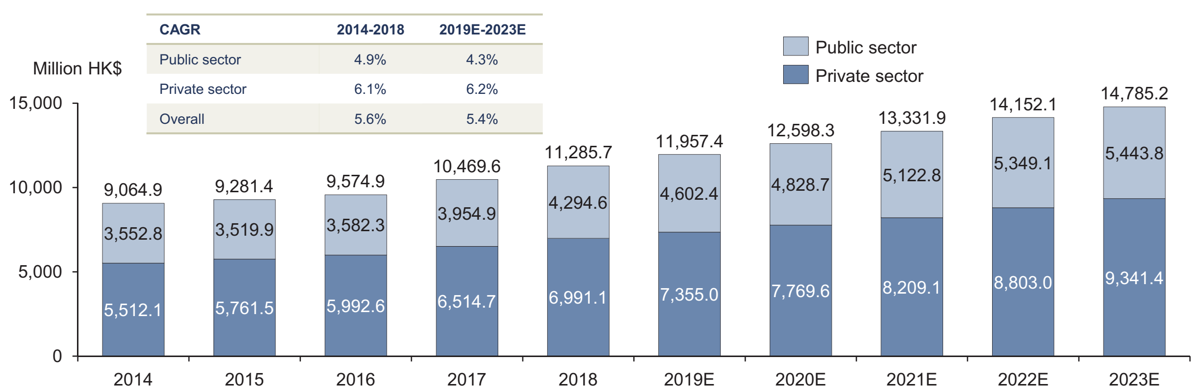
Along with the continued property development, the gross value of wet trades works in Hong Kong increased from approximately HK$9,064.9 million in 2014 to approximately HK$11,285.7 million in 2018, representing a CAGR of approximately 5.6%.

As outlined in the 2018 Policy Address ("**2018 Policy Address**"), the Government will continue to implement the housing development strategy through increase in land supply. Specifically, new development areas and new town extensions, such as Hung Shui Kiu New Development Area are highlighted, coupled with development of commercial area in Kowloon East. Moreover, the Government proposed "Lantau Tomorrow Vision" in 2018 Policy Address which included the construction of artificial islands with total area of about 1,700 hectares through phased reclamation near Kau Yi Chau and Hei Ling Chau. As such, the gross value of wet trades works is expected to increase from approximately HK$11,957.4 million in 2019 to approximately HK$14,785.2 million in 2023, representing a CAGR of approximately 5.4%.

In 2018, the gross value of wet trades works in residential buildings segment accounted for approximately 65% of total gross value of wet trades works. Driven by the development of residential properties, the gross value of wet trades works market in residential buildings segment increased from approximately HK$5,982.8 million in 2014 to approximately HK$7,359.6 million in 2018, representing a CAGR of approximately 5.3%. The residential segment is expected to demonstrate a steady growth in the next few years, underpinned by the supportive policies towards housing development. According to 2018-19 Budget, approximately 100,000 public housing units and over 90,000 units of private residential are set to be available in next three to five years. As a result, the gross value of wet trades works in residential buildings segment is expected to maintain a steady growth at a CAGR of approximately 5.4% during 2019 to 2023.

On the other hand, the commercial buildings segment comprised 27% of total gross value of wet trades works in 2018 and increased at a CAGR of approximately 8.1% during 2014 to 2018. As featured in the 2018 Policy Address, Tung Chung New Town Extension will provide over 800,000 sq.m. of commercial floor space. Thus, the gross value of wet trades works in commercial buildings segment is expected to increase at a CAGR of approximately 6.2% during 2019 to 2023.

Gross value of wet trades works by sector in Hong Kong, 2014-2023E



Source: Frost & Sullivan

The private sector contributes to the majority of the total gross value of wet trades works in Hong Kong. During 2014 to 2018, primarily owing to the establishment of various sizeable real estate properties in Kowloon City and Sai Kung, the gross value of wet trades works in the private sector increased from approximately HK$5,512.1 million to approximately HK$6,991.1 million, representing a CAGR of approximately 6.1%, whereas the urban development in Tuen Mun and Kwun Tong has also accelerated the demand for wet trades works during the same period. Growing along with a number of private residential properties expected to complete in Pak Shek Kok and Tseung Kwan O in the coming years, the gross value of wet trades works in the private sector is anticipated to grow at a CAGR of approximately 6.2%, reaching approximately HK$9,341.4 million, whereas that of public sector is expected to reach approximately HK$5,443.8 million, representing a CAGR of approximately 4.3% by the end of 2023.

Key drivers and opportunities of wet trades works industry in Hong Kong

The development of wet trades works industry is closely related to the fitting-out industry and the construction industry, and the wet trades works industry is expected to benefit from the following market drivers:

1. Expected construction and supply of new residential units

As underpinned in the Chief Executive's 2018 Policy Address, the Government has persistently developed long-term land resources and proposed the "Lantau Tomorrow Vision" that reinvigorates the supply of residential units, amounting 260,000 to 400,000 units starting from 2032. On the other hand, in terms of short to medium-term housing strategy, the "Land Sharing Pilot Scheme" highlights the collaboration between public and private sector that utilises the existing land resources for housing development. Together with the release of the "Hong Kong 2030: Planning Vision and Strategy", the construction of North East New Territories New Development Areas (NDAs) in Kwu Tung North, Fanling North and Ping Che is expected to accommodate more than 50,000 household residential units. In view of the expected growth of residential building construction, the demand for wet trades works associated with fitting-out works is anticipated to become higher.

2. Development of new central business district

The Government has envisioned the development of Kowloon East into a commercial hub. In particular, the "Energising Kowloon East" initiative sets to transform Kai Tak Development Area, as well as Kwun Tong and Kowloon Bay Business Areas, to another economic centre and become the second central business district in Hong Kong. The program is set to provide a vast amount of office spaces and community facilities to support the long-term economic development of Hong Kong. Specifically, Kai Tak Development Area involves a complex development project spanning a total planning area of 320 hectares with an estimated 50,000 units and a total commercial and office space of 2.3 million metre square. The first stage of development project is expected to be completed in 2019 and a number of multinational engineering consultancy firms and insurance corporates will be drawn into the district. The construction of commercial buildings under Kowloon East development in the coming years will translate into potential business opportunities for wet trades works contractors.

3. Urban Renewal Programme

According to the Urban Renewal Authority, there will be 326,000 private housing units aged 70 or above by 2046 and there is an urgent need to step up the rejuvenation of dilapidated urban areas, especially for those located at densely-built urban core, such as Sham Shui Po and Kowloon City. The Government has explored the feasibility of site redevelopments under the Civil Servant's Co-operative Building Society Scheme as outlined in the 2018 Policy Address. Moreover, with a growing emphasis on the preservation of these aged buildings by the means of proper repair and maintenance works under Integrated Building Rehabilitation Assistance Scheme and Operating Building Bright 2.0, there is a rising demand for refurbishment of these properties and wet trades works, such as plastering works and tiling works, in the long run. As a result, the redevelopment works under urban renewal projects are expected to drive the demand for wet trades works.

4. Higher living standards and customer expectations

With steady economic growth and higher income level of Hong Kong residents in the past few years, residents demonstrate a higher affordability and growing preference towards renovation of their living spaces and adopt better grades of building materials to enhance the durability and reduce subsequent maintenance costs. On the other hand, an increasing number of property developers has invested a vast amount of resources in the interior design and fitting-out of their building properties, such as the facade design in shopping centres and clubhouses in private residential building, so as to shape a more luxurious living environment and cater the increasing expectations of buyers and users. Furthermore, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. Accordingly, quality of wet trades works has increased in order to fulfil the interior design and inspection requirement.

Key development trend of wet trades works industry in Hong Kong

1. Higher industry standard and requirement

With the growing requirement from developers, property buyers and end-users, a higher quality of wet trades works is expected. In particular, property developers and main contractors generally expect durability of buildings and facilities with minimum defects, which results in growing standard requirement for wet trades works. Accordingly, the application of more standardised construction materials, working procedures and craftsmanship through training of workers in wet trades works will lead to higher industry standards.

2. Growing adoption of machinery and new materials in wet trades works

In general, the wet trades works industry is considered labour-intensive and a high quality craftsmanship is required. With the implementation of the "designated workers for designated skill" requirements of the Construction Workers Registration Ordinance (CWRO) in 2017, construction works contractors are required to hire skilled labour for designated works. Furthermore, the issues of labour shortage and growing labour cost also lead to the higher adoption of machinery to reduce reliance of workers, and enhance overall efficiency and capacity when undertaking different wet trades projects. For example, plaster spray machines can replace the manual plastering procedure in wet trades works and there is a market trend for main contractors to request wet trades works contractors to apply plaster spray machines for better craftsmanship and consistent quality of works. On the other hand, new materials such as gypsum boards are increasingly used in wet trades works for car parks and shopping walls. Application of gypsum boards can enhance the overall efficiency of wet trades works by simplifying and facilitating the plastering process. In addition, gypsum boards are considered environmentally-friendly building materials and contributes to reduction of operational cost.

Key challenges of wet trades works industry in Hong Kong

1. Cyclical nature of construction industry

The development of construction industry and number of construction projects are highly dependent on government policies and are prone to the macroeconomic environment in Hong Kong. Government policies related to housing demand and supply, such as land sales, urban development and renewal programme, has been promulgated and spur the demand for construction works in the previous years. However, owing to the cyclical nature of construction industry, during the expansion phase of economic cycle, people are willing to raise their investment in the fitting-out and design of interior spaces to pursue a better living environment, whereas the scale and progress of building construction projects may be limited due to tightened financial budgets during economic downturn, resulting in impact on the growth of construction industry and wet trades works market.

2. Shortage of skilled labour

The construction industry, especially the wet trades works market, has been facing the issue of an ageing workforce with a number of experienced workers has reached the retirement age. According to Construction Industry Council, the proportion of high-aged (i.e. aged 40 and above) construction workers reached approximately 65.8% in 2018. Nevertheless, the Construction Industry Council has launched the "Construction 2.0" in 2018 to encourage younger generation to devote themselves to the construction industry with the provision of labour training, it generally takes a long time to replace competent and skilled personnel. The shortage of skilled and experienced workers in certain trades may potentially affect the progress of wet trades works.

3. Fluctuation of materials supply and purchasing price

Certain construction materials used in Hong Kong are sourced from the PRC and overseas countries and the fluctuation of materials supply may impact the progress of construction works and purchasing price. Specifically, under the quota system established by the PRC government for export of river sand to Hong Kong and Macau, the reduction of quota had resulted in shortage of river sand available for construction industry and wet trades works in Hong Kong during fourth quarter of 2017. According to Civil Engineering and Development Department, the quantity of natural river sand from the PRC used in Hong Kong construction industry had decreased substantially from approximately 28,545.2 thousand tonnes to approximately 920.4 thousand tonnes during 2014 to 2018. The seasonal shortage of river sand supply may adversely affect the progress of wet trades works and some contractors may stock up inventory of river sand to cope with the potential shortage of materials.

COMPETITIVE LANDSCAPE OF WET TRADES WORKS INDUSTRY IN HONG KONG

Overview of market competition

The wet trades works market in Hong Kong is considered as fragmented in terms of number of market participants. According to Construction Industry Council, there were approximately 530 contractors registered under the trade specialties of "Finishing Wet Trades" and "Marble, Granite and Stone Works" as at 31 January 2019.

In 2018, the top five market participants in wet trades works market had an aggregate market share of approximately 23.2%. Our Group is one of the top five market participants with a market share of approximately 3.8% in terms of revenue in 2018.

Leading participants in wet trades works market by revenue in Hong Kong, 2018*

Rank	Market participant	Background	Revenue (HK$ Million)	Market share (%)
1	Company A	Company A is a listed company and the listed group principally engages in building construction and development projects and offers wide range of design and build services.	576.5	5.1%
2	Company B	Company B is a listed company and the listed group principally provides fitting-out works for residential properties and hotel projects in Hong Kong, Macau and the PRC.	564.8	5.0%
3	Company C	Company C is a listed company and the listed group principally engages in property and construction business, and also provides interior fitting-out and building renovation services in Hong Kong.	551.1	4.9%
4	Company D	Company D is a listed company and the listed group principally engages in wet trades works such as marble works, floor screeding, brick laying and plastering in Hong Kong.	485.4	4.3%
5	Our Group	Our Group principally engages in wet trades works for residential buildings, commercial buildings and public infrastructures in Hong Kong.	431.8	3.8%
		Subtotal	2,609.6	23.2%
		Other	8,649.1	76.8%
		Total	11,258.7	100.0%

**Note: The revenue of leading market participants are estimated based on latest available financial information (e.g. quarterly financial reports) and Frost & Sullivan's research and analysis.*

Source: Frost & Sullivan

Factors of competition

1. Credible business relationship

Leading wet trades works contractors generally maintained a long-term and credible business relationship with their suppliers, subcontractors and customers. By leveraging such collaboration with different stakeholders along the value chain, contractors can secure their source of materials to ensure successful project delivery. Moreover, through establishment of business relationship, contractors may be invited for tender submission by project owners.

2. Quality and service level

Wet trades works contractors with extensive industry reputation and a positive public recognition are more preferred by contract owners. In order to enhance their credibility in service level and quality in project delivery, some competent contractors may on the one hand deploy machinery to provide consistently high quality service and on the other hand, establish and review their quality management system to ensure smooth operation. For example, some contractors obtained various certifications such as ISO9001 Quality Management System as a common accreditation to recognise business organisations which consistently improve their products and services.

3. Financial standing and cash flow liquidity

Wet trades contractors with a strong financial standing are able to tender for more construction projects and in particular those larger in scale. In general, main contractor would only consider engaging wet trades contractors that are financially healthy and are able to maintain their cash flow liquidity for payment to workers, subcontractors and materials suppliers as they may need to make such payments before receiving payments from the main contractors, resulting in possible cash flow mismatch. Market participants without enough capital and financial support are less likely to be considered in the tendering process. Therefore, wet trades contractors with stronger financial standing and cash flow liquidity are able to tender for more and larger scale projects, and in return, large-scale construction projects help wet trades contractors to enhance their job experiences and build up their reputation in the industry.

Entry barriers

1. Reputation and industry experience

A strong track record with long-standing reputation is highly preferred by clients in construction market in Hong Kong. The leading players have established business relationship with clients and other industry stakeholders in various projects. The recognition and trust built on past project reference comes as the core competitiveness and retain the market position in Hong Kong. Meanwhile, clients are generally more confident with engaging existing contractors which have undertaken sizable projects. As a result, companies with proven project portfolio and service offerings are likely to stand out in the wet trades works industry in Hong Kong.

2. Significant level of working capital requirement.

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

3. Experienced management team

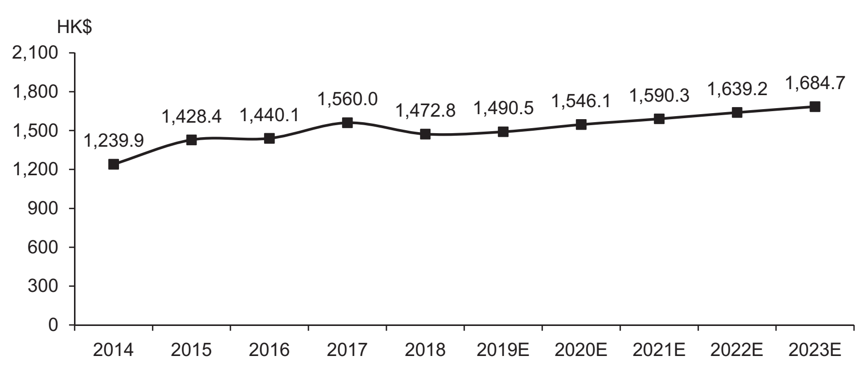
A high-calibre management team in wet trades works contractor usually maintains a strong business network with project owners and main contractors in order to receive potential project awards. In addition, experienced and capable management team can quickly respond to the latest industry trends and development. Comparatively, new market entrants without prior industry experience may be less competitive.

PRICE TREND OF MAJOR COST COMPONENTS

The major cost components of our Group's operation include but not limited to subcontracting fees, direct labour cost and cost of construction materials.

Labour cost

Average daily wages of wet trades workers (Hong Kong), 2014-2023E



	2014-2018	2019E-2023E
CAGR	4.4%	3.1%

Note: The average daily wage of wet trades workers is calculated based on the average daily wages of plasterer, bricklayer, concretor and marble worker.

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

According to the Industry Report, the average daily wages of major wet trades workers, have escalated over the past five years from approximately HK$1,239.9 per day in 2014 to approximately HK$1,472.8 per day in 2018, representing a CAGR of 4.4%. The substantial rise in the average daily wages of wet trades workers was principally due to the prolonged imbalance between the demand and supply of experienced construction workers available in the market and such situation is very likely to continue in the subsequent years, which the average daily wages of wet trades workers will grow at a CAGR of 3.1% during 2019 to 2023.

Cost of materials used in wet trades works

Average price of major construction materials in wet trades works (Hong Kong), 2014-2023E

Item	Unit	2014	2015	2016	2017	2018	2019E	2023E	CAGR (2014-2018)	CAGR (2019E-2023E)
Portland cement	HK$ per metric tonne	720.4	739.2	714.7	699.9	698.5	699.2	718.9	-0.8%	0.7%
Aggregates	HK$ per metric tonne	67.5	78.6	67.8	59.3	65.2	66.0	70.5	-0.9%	1.7%
Sand	HK$ per metric tonne	118.9	146.6	137.7	121.4	204.4	227.3	276.1	14.5%	5.0%

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

The major raw materials in wet trades works include Portland cement, aggregates and sand. In spite of a slight decrease in the average price of aggregates and Portland cement, the average prices of most of the construction materials applied in wet trades works have shown an increasing trend in the past five years. Amongst all of the wet trades works materials, the average price of sand has increased the most, which grew at a CAGR of approximately 14.5% from approximately HK$118.9 per metric tonne in 2014 to approximately HK$204.4 per metric tonne in 2018. The rise in raw material costs was mainly attributable to the continuous construction works being carried out in Hong Kong, which has spurred the demand for these construction materials, as well as limited supply of certain materials such as river sand. In the following years, the average prices of major construction materials in wet trades works are likely to inflate as the demand for such materials is expected to remain high due to the sustained construction projects commenced in Hong Kong.

COMPETITIVE STRENGTHS OF OUR GROUP

Please refer to the section headed "Business — Competitive Strengths" in this prospectus for a detailed discussion of competitive strengths of our Group.

DIRECTORS' CONFIRMATION

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information therein.

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

A. LABOUR, HEALTH AND SAFETY

During the Track Record Period and as at the Latest Practicable Date, our site workers and our subcontractors engaged in wet trades works and are therefore subject to the following laws and regulations.

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

Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site.

Under the Construction Workers Registration Ordinance, "construction work" means, among other things, any building operation involved in preparing for any operation such as the addition, renewal, alteration, repair, dismantling or demolition of any specified structure that involves the structure of the specified structure or any other specified structure. "Construction site" means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Constructions Workers is satisfied, among other things, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, among other things, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of expiry, have been in effect for not less than two years, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify.

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

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

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

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

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

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

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

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) ("**FIUSMR**"), any contractor (i) in relation to construction work with a contract value of HK$100 million or more; or (ii) in relation to construction work having an aggregate of 100 or more workers in a day working in a single construction site; or (iii) in relation to construction work having an aggregate of 100 or more workers in a day working in two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system and consider improvements to the system at least once in every six months. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment of six months.

During the Track Record Period and up to the Latest Practicable Date, we had certain non-compliance with the FIUSMR, details of which are set out in the section headed "Business — Non-compliance" in this prospectus.

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed "Business — Occupational health and safety" in this prospectus.

Factories and Industrial Undertakings (Loadshifting Machinery) Regulation (Chapter 59AG of the Laws of Hong Kong) ("Loadshifting Machinery Regulations")

Under regulation 3 of the Loadshifting Machinery Regulations, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (i) has attained the age of 18 years; and (ii) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs. Under the Loadshifting Machinery Regulations, loadshifting machines used in industrial undertakings refer to forklift trucks.

Under regulation 8 of the Loadshifting Machinery Regulations, a responsible person who without reasonable excuse contravenes regulation 3 commits an offence and is liable to a fine of HK$50,000.

As at 31 March 2019, our Group has a total of nine forklifts. As those forklifts will be provided for the subcontractors to use in the construction sites, compliance with the Loadshifting Machinery Regulations is required.

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

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

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

- 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;
- as regards any workplace under the employer's control:
  - — maintenance of the workplace in a condition that is safe and without risks to health; and
  - — provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employer's employees that is safe and without risks to health.

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

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

We have set up an occupational health and safety system to promote work safety among our employees and to prevent occurrence of accident in our daily operation. For details, please refer to the section headed "Business — Occupational health and safety" in this prospectus.

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

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

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

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

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

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

An employer who fails to comply with this Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 and to imprisonment for two years.

For our insurance coverage in this connection, please refer to the section headed "Business — Insurance" in this prospectus. For the information of employees' compensation claims and common law personal injury claims experienced by our Group during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business — Litigation and potential claims" in this prospectus.

Limitation Ordinance (Chapter 347 of the Laws of Hong Kong) ("Limitation Ordinance")

Under the Limitation Ordinance, the time limit for an applicant to commence common law claims for personal injuries is three years from the date on which the cause of action accrued.

For information regarding the potential common law claims for personal injuries which were within the respective three-year periods and which might be brought against our Group as of the Latest Practicable Date, please refer to the section headed "Business — Litigation and potential claims" in this prospectus.

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) 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 (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 subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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

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

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

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 on the land.

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

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (as at the Latest Practicable Date set at HK$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this Ordinance is void.

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

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

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

Industry Schemes

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

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

(1) foundation and associated works;

(2) civil engineering and associated works;

(3) demolition and structural alteration works;

(4) refurbishment and maintenance works;

(5) general building construction works;

(6) fire services, mechanical, electrical and associated works;

(7) gas, plumbing, drainage and associated works; and

(8) interior fitting-out works.

The MPF Schemes Ordinance does not stipulate that employers in these two industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries.

Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

B. ENVIRONMENTAL PROTECTION

We are subject to the following laws and regulations in connection with the environmental protection as our business activities of wet trades works as a subcontractor. For information regarding our environmental management system, please refer to the section headed “Business — Environmental protection” in this prospectus.

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

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, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered asbestos contractors and under the supervision of a registered consultant.

NRMM Regulation

The NRMM Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery ("**NRMM**"), including non-road vehicles and regulated machines that are subject to the NRMM Regulations (the "**Regulated Machines**"). Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. Under Section 5 of the NRMM Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to Section 11 of the NRMM Regulation. Under Section 5 of the NRMM Regulation, any person who uses or causes to be used a Regulated Machine in specified activities or locations without (i) exemption or the EPD's approval is liable to a fine of up to HK$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK$50,000 and imprisonment for up to three months.

Pursuant to the Technical Circular issued by the Work Branch of the Development Bureau on 8 February 2015, an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes) has been included in the Technical Circular (the "**Implementation Plan**"), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted generator and air compressor to be used after 1 June 2015 and the number of exempted excavators and crawler cranes not to exceed 50%, 20% and 0% of the total units of exempted NRMMs from 1 June 2015, 1 June 2017 and 1 June 2019 respectively.

As confirmed by our Directors, to the best of their knowledge, all Regulated Machines used in the ordinary course of our business as at the Latest Practicable Date had obtained approval or exemption in accordance with the relevant requirement. For further details, please refer to the section headed "Business — Environmental protection — Possible impact of the NRMM Regulation" in this prospectus.

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) 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 Director of 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 Director of 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 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.

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

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

All discharges, other than domestic sewage or unpolluted water to communal sewer or communal drain, must be covered by an effluent discharge licence. The licence specifies the permitted maximum allowable quantity and effluent standards of the effluent. 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 of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for six months and (a) for a first offence, a fine of HK$200,000; (b) for a second or subsequent offence, a fine of HK$400,000, and (c) in addition, if the offence is a continuing offence, 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) ("Waste Disposal Ordinance")

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste 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 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, does, causes or allows another person to do anything for which such a permit or authorisation is required under sections 16, 16A and 16B of this Ordinance 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 and, in addition, if the offence is a continuing offence, 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.

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

Pursuant to section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty of section 127 as mentioned above is a fine at level 3 (currently HK$10,000) upon conviction with a daily fine of HK$200.

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

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

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

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

C. CONTRACTOR LICENSING REGIME AND OPERATION

As a subcontractor engaged in wet trades works, we are subject to the following laws, regulations and possible legislations.

Registered Specialist Trade Contractors Scheme

As at the Latest Practicable Date, Pak Fai was registered as a registered subcontractor in the Registered Specialist Trade Contractors Scheme of the Construction Industry Council under the trade categories of (i) finishing wet trades, (ii) marble, granite and stone work and (iii) other finishing trades and components, while Ma Yau was registered in the same scheme under the trade categories of (i) finishing wet trades, (ii) marble, granite and stone work and (iii) miscellaneous cleaning services.

Subcontractors, which are involved in, among others, finishing wet trades and marble, granite and stone work, in Hong Kong may apply for registration under the Registered Specialist Trade Contractors Scheme managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The Subcontractor Registration Scheme (replaced by the Registered Specialist Trade Contractors Scheme on 1 April 2019) was formerly known as the Voluntary Subcontractor Registration Scheme (the "**VSRS**"), which was introduced by the Provisional Construction Industry Co-ordination Board (the "**PCICB**"). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

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

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

Effective 1 April 2019, the Registered Specialist Trade Contractors Scheme replaced the Subcontractor Registration Scheme. The Registered Specialist Trade Contractors Scheme comprises of two registers: the Register of Specialist Trade Contractors ("**RSTC**") and the Register of Subcontractors ("**RS**"). All subcontractors who are registered under the seven trades namely Demolition, Concreting Formwork, Reinforcement Bar Fixing, Concreting, Scaffolding, Curtain Wall and Erection of Concrete Precast Component of the Subcontractor Registration Scheme have automatically become Registered Specialist Trade Contractors and no application is required. All subcontractors who are registered under the remaining trades of the Subcontractor Registration Scheme have been retained as Registered Subcontractors and no application is required.

Categories of registration

Subcontractors may apply for registration on the Subcontractor Registration Scheme in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch out into around 94 specialties, including general demolition, and others (concrete coring and saw cutting) etc. Since 1 April 2019, subcontractors may apply for registration on the RSTC in one or more of the seven designated trades including demolition, reinforcement bar fixing, erection of concrete precast component, concreting formwork, concreting, scaffolding and curtain wall and on the RS in other common civil, building, electrical and mechanical trades.

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

Requirements for registration under the Registered Specialist Trade Contractors Scheme

Applications for registration under the RS are subject to the following entry requirements:

(a) completion of at least one job within the last five years as a main contractor/subcontractor in the trades and specialities for which registration is applied or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;

(b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialties for which registration is sought;

(c) the proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for Subcontractors (or equivalent) conducted by the Construction Industry Council; or the company's proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Applications for registration under the RSTC are subject to a number of requirements based on the relevant trade category and tender limits as detailed in Schedule 2 of the Rules and Procedures for the Register of Specialist Trade Contractors issued by the Construction Industry Council in April 2019.

Validity period of registration and renewal of registration

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration whereas a registered specialist trade contractor shall apply for renewal not earlier than six months but not later than three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the committee on Registered Specialist Trade Contractors Scheme which oversees the Registered Specialist Trade Contractors Scheme (the "**Committee**"). If some of the entry requirements covered in an application can no longer be satisfied, the Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal as a registered subcontractor shall be valid for three or five years from the expiry of the current registration whereas the approved renewal for a registered specialist trade contractor shall be valid for not less than 36 months after the decision date for that application for renewal.

Codes of Conduct

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

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

(a) supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;

(b) failure to give timely notification of changes to the registration particulars;

(c) serious violations of the registration rules and procedures;

(d) convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);

(e) convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;

(f) wilful misconducts that may bring the Subcontractor Registration Scheme (and since 1 April 2019, the Registered Specialist Trade Contractors Scheme) into serious disrepute;

(g) civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;

(h) convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequence:

 (i) loss of life; or

 (ii) serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;

(i) conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the Registered Subcontractor at each of a construction site under a contract;

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

(k) late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

The circumstances that may lead to regulatory actions be taken against a registered specialist trade contractor include, but are not limited to (a) a petition for winding-up or bankruptcy has been filed against the registered specialist trade contractor or other financial problems; (b) registered specialist trade contractor's failure to answer queries or provide information relevant to the registration within the prescribed time specified by the committee of the Construction Industry Council; (c) misconduct or suspected misconduct of the registered specialist trade contractor; (d) court conviction or violation of any law by the registered specialist trade contractor, including but not limited to the Factories and Industrial Undertakings Ordinance, Occupational Safety and Health Ordinance, Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Immigration Ordinance, Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong), Construction Workers Registration Ordinance (e) matters of public interest; (f) serious or suspected serious poor performance or other serious causes in any public or private sector works contract; and (g) the registered specialist trade contractor's failure to comply with any provisions of the rules and procedures for the Registered Specialist Trade Contractors Scheme.

Regulatory actions

The Committee may instigate regulatory actions against a registered subcontractor by directing that:

(a) written strong direction and/or warning be given to a registered subcontractor;

(b) a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;

(c) a registered subcontractor be suspended from registration for a specified duration; or

(d) the registration of a registered subcontractor be revoked.

The Committee may instigate regulatory actions against a registered specialist trade contractor by directing that:

(a) written warning be given to the registered specialist trade contractor;

(b) the registered specialist trade contractor be suspended from registration for a specified period;

(c) the grouping of a registered specialist trade contractor be changed; or

(d) the registration of the registered specialist trade contractor be revoked.

Proposed Security of Payment Legislation ("SOPL")

The Government has conducted a public consultation on the SOPL for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution.

The SOPL will, among others:

- prohibit "pay when paid" and similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;

- prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;

- enable parties who are entitled to progress payments under the terms of a contract covered by the SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and

- grant parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator's decision or non-payment of amounts admitted as due.

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

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

The SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process. However, there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval.

It is probable that some of our contracts will be caught by the SOPL and where such contracts are subject to SOPL we will have to ensure that their terms comply with the legislation in this regard. However, during the Track Record Period, we generally do not adopt "pay when paid" policy with our sub-contractors and we generally pay progress payment to our subcontractors in two stages. Firstly, we generally pay on behalf of our subcontractors to their workers within seven days from the date of their payment application (usually the last day of a month). Then, we generally pay the remaining progress payment to our subcontractors within two weeks from the date of their payment application. Furthermore, our Group's trade payables turnover days were approximately 50.0 days, 38.0 days, 39.7 days and 38.7 days for FY2016, FY2017, FY2018 and the three months ended 31 March 2019 respectively. Based on the above and subject to the terms of the final legislation, our Directors believe that our payments to subcontractors do not materially deviate from the SOPL and the SOPL will not have any significant impact on our business or cash management.

HISTORY AND DEVELOPMENT

Overview

The history of our Group can be traced back to 1989 when Pak Fai was established with a view to undertaking wet trades works as a subcontractor in Hong Kong. The late Mr. Ma Lang Yau, one of our founders, was by that time experienced in the wet trades works industry having provided services to an affiliated company of Sanfield since 1982. Mr. Ma Lang Yau, who passed away, was the spouse of Ms. LC Cheung (one of our Controlling Shareholders) and the brother-in-law of Mr. Adam Cheung (one of our executive Directors and Controlling Shareholders). In 1990, Mr. Adam Cheung joined Pak Fai as a manager and began assisting in the management of the business. Since then, Pak Fai gradually gathered industry experience and built up its track record. In 1997, Ma Yau was incorporated as another arm of operation of our Group to capture a wider range of business opportunities.

By February 2000, the original founders disposed of their interests in Pak Fai. Since October 2011, Pak Fai was owned as to approximately 85% by Mr. Adam Cheung and approximately 15% by Ms. LC Cheung and since December 2011, Ma Yau was owned as to 60% by Mr. Adam Cheung and 40% by Ms. LC Cheung. Mr. Adam Cheung is the brother of Ms. LC Cheung.

Under the leadership and efforts of Mr. Adam Cheung and other members of the management, our Group is now an established subcontractor with about 25 years of experience in undertaking wet trades works in Hong Kong. According to the Industry Report, our Group ranked the fifth in the Hong Kong wet trades market in terms of revenue in 2018, and accounted for approximately 3.8% of the market share in Hong Kong in 2018.

Our key business milestones

Set out below is a summary of the key milestones of the development of our Group's business:

1989	Pak Fai was incorporated in Hong Kong on 21 April 1989 with a view to undertaking wet trades works in Hong Kong.
1990	We started a business relationship with a customer, being a subsidiary of a major property developer in Hong Kong listed on the Stock Exchange.
1994	We started a business relationship with an affiliated company of Sanfield.
1997	Ma Yau was incorporated in Hong Kong on 24 March 1997.
	We were awarded Safety Merit Award by a major property developer in Hong Kong in relation to the Metro City Phase I project.

2000	We were awarded by Sanfield a subcontracting work for The Leighton Hill luxury residential property project.
2001	We were awarded the Best Partner Award by certain major property developers in Hong Kong in relation to the project of Ocean Shores (Phase 2).
	We were awarded by a customer a subcontracting work for Two International Finance Centre (a Hong Kong landmark).
2003	We were awarded by a customer, being a subsidiary of a major property developer in Hong Kong listed on the Stock Exchange a subcontracting work for Grand Promenade luxury residential property project.
2005	We were awarded the Best Safety Performance Subcontractor Award by a customer in relation to the Grand Waterfront project.
2006	We were awarded by an affiliated company of Customer H a subcontracting work for Harbour Place Redevelopment project.
	We were awarded by an affiliated company of Sanfield a subcontracting work for The Cullinan.
	We were awarded as the Best Safety Performance Subcontractor by a customer, being a subsidiary of a major property developer in Hong Kong listed on the Stock Exchange.
	We were a project team member and shared recognition of team's contribution in producing a world-class building in the heart of Central "York House" by a major property developer in Hong Kong and Customer C.

2007	We were awarded by an affiliated company of Sanfield a subcontracting work for a hotel in the International Commerce Centre, Kowloon (the tallest building in Hong Kong).
2015	We were awarded Zero Accident Award 2015 by an affiliated company of Sanfield in relation to the YOHO Town Phase III project.
2018	We were awarded by Customer C a subcontracting work for Ma Tau Wai Road/Chun Tin Street Project, a "Starter Homes" Pilot Project of the Urban Renewal Authority.
	We were awarded a certificate of honour by Customer F for the best performance in the seventh Assessment of Occupational Safety Management.

For further details of Sanfield, Customer C, Customer F and Customer H, all being among our five largest customers during the Track Record Period, please refer to the section headed "Business — Customers — Major customers" in this prospectus.

OUR COMPANY AND OUR MAJOR OPERATING SUBSIDIARIES

Our Group consists of our Company and two major operating subsidiaries. Set out below is the corporate history of our Company and our major operating subsidiaries, Pak Fai and Ma Yau.

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2019. Please refer to the paragraph headed "Further information about our Company and its subsidiaries — 2. Changes in share capital of our Company" in Appendix IV to this prospectus for details of changes in the share capital of our Company. Upon completion of the Reorganisation, our Company became the holding company of our Group, details of which are set out in the paragraph headed "Reorganisation" in this section. The principal business of our Company is investment holding.

Pak Fai

Pak Fai, one of our principal operating subsidiaries, was incorporated as a company with limited liability in Hong Kong on 21 April 1989 with an initial issued share capital of HK$10,000 divided into 10,000 shares with nominal value of HK$1.00 each. As at the Latest Practicable Date, the total issued share capital of Pak Fai was HK$300,000 divided into 300,000 shares. Since 1 January 2016 (being the commencement of the Track Record Period) and up to immediately prior to the Reorganisation, Pak Fai was owned as to approximately 85% by Mr. Adam Cheung and approximately 15% by Ms. LC Cheung.

As part of the Reorganisation, on 22 February 2019, Mr. Adam Cheung and Ms. LC Cheung, as vendors, and Creative Panda, as purchaser, entered into a sale and purchase agreement pursuant to which Creative Panda acquired 254,999 and 45,001 shares of Pak Fai, representing all its issued shares in aggregate, from Mr. Adam Cheung and Ms. LC Cheung respectively, and in consideration thereof, Creative Panda issued and allotted one ordinary share of par value US$1.00, credited as fully paid, to Autumn Well as instructed by Mr. Adam Cheung and Ms. LC Cheung. Upon completion of the aforesaid acquisition, the entire equity interest of Pak Fai was held by Creative Panda.

The principal business of Pak Fai is to undertake wet trades works as a subcontractor in Hong Kong and it commenced business in 1989.

Ma Yau

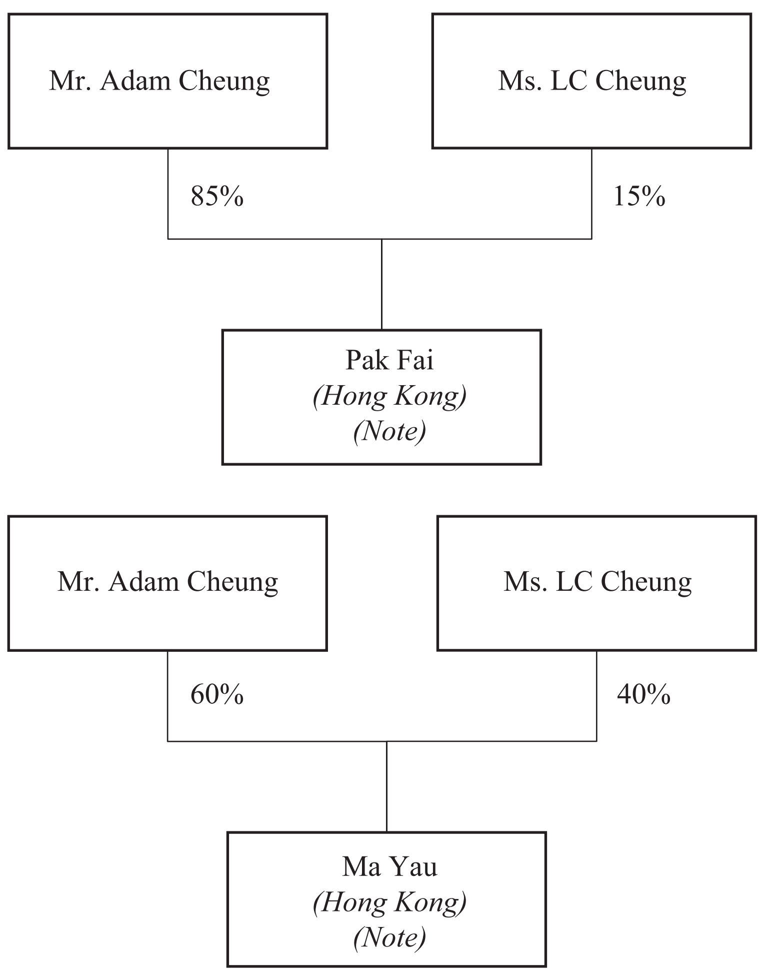
Ma Yau, one of our principal operating subsidiaries, was incorporated as a company with limited liability in Hong Kong on 24 March 1997 with an initial issued share capital of HK$300,000 divided into 300,000 shares with nominal value of HK$1.00 each. As at the Latest Practicable Date, the total issued share capital of Ma Yau was HK$300,000 divided into 300,000 shares. Since 1 January 2016 (being the commencement of the Track Record Period) and up to immediately prior to the Reorganisation, Ma Yau was owned as to 60% by Mr. Adam Cheung and 40% by Ms. LC Cheung.

As part of the Reorganisation, on 22 February 2019, Mr. Adam Cheung and Ms. LC Cheung, as vendors, and Vantage Charm, as purchaser, entered into a sale and purchase agreement pursuant to which Vantage Charm acquired 180,000 shares and 120,000 shares of Ma Yau, representing all its issued shares in aggregate, from Mr. Adam Cheung and Ms. LC Cheung respectively, and in consideration thereof, and in return, Vantage Charm issued and allotted one ordinary share of par value US$1.00, credited as fully paid, to Autumn Well as instructed by Mr. Adam Cheung and Ms. LC Cheung. Upon completion of the aforesaid acquisition, the entire equity interest of Ma Yau was held by Vantage Charm.

The principal business of Ma Yau is to undertake wet trades works as a subcontractor in Hong Kong and it commenced business in 1997.

GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the Reorganisation:



Note: *Pak Fai and Ma Yau are our principal operating subsidiaries and their principal business activity is to undertake wet trades works as a subcontractor in Hong Kong.*

REORGANISATION

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation whereby our Company became the ultimate holding company of our Group. The Reorganisation involves the following major steps:

Incorporation of Wonderful Renown

Wonderful Renown was incorporated in BVI with liability limited by shares on 8 August 2018. Wonderful Renown is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Wonderful Renown issued and allotted 84 and 16 ordinary shares of par value of US$1.00 each to Mr. Adam Cheung and Ms. LC Cheung respectively, for cash consideration of US$84 and US$16 respectively.

The shareholder interests of Mr. Adam Cheung and Ms. LC Cheung in Wonderful Renown were decided with reference to their respective shareholding interests of Mr. Adam Cheung and Ms. LC Cheung in Pak Fai and Ma Yau immediately prior to the Reorganisation and the unaudited net asset value of such companies as at 30 November 2018.

Incorporation of Autumn Well

Autumn Well was incorporated in BVI with liability limited by shares on 26 October 2018. Autumn Well is authorised to issue 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Autumn Well allotted and issued 1 ordinary share of par value of US$1.00 to Wonderful Renown, for cash consideration of US$1.00.

Incorporation of Creative Panda

Creative Panda was incorporated in BVI with liability limited by shares on 26 October 2018. Creative Panda is authorised to issue 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Creative Panda allotted and issued 1 ordinary share of par value of US$1.00 to Autumn Well, for cash consideration of US$1.00.

Incorporation of Vantage Charm

Vantage Charm was incorporated in the BVI with liability limited by shares on 26 October 2018. At the time of incorporation, Vantage Charm is authorised to issue 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Vantage Charm allotted and issued 1 ordinary share of par value of US$1.00 to Autumn Well, for cash consideration of US$1.00.

Incorporation of our Company

On 30 January 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. At the time of its incorporation, our Company had an authorised share capital of HK$100,000.00 divided into 10,000,000 Shares of par value HK$0.01 each, of which one nil-paid subscriber Share was allotted and issued to the initial subscriber, Reid Services Limited, which was then transferred to Wonderful Renown on the same day.

Acquisition of Pak Fai and Ma Yau

On 22 February 2019, Mr. Adam Cheung and Ms. LC Cheung as vendors, and Creative Panda as purchaser entered into a sale and purchase agreement, pursuant to which Creative Panda acquired 254,999 and 45,001 ordinary shares of Pak Fai from Mr. Adam Cheung and Ms. LC Cheung respectively, representing its entire number of issued shares in aggregate, at the consideration of HK$72,177,000 (which was determined with reference to the unaudited net asset value of Pak Fai as at 31 December 2018), and in return, Creative Panda issued and allotted one ordinary share of par value US$1.00, credited as fully paid, to Autumn Well (with the instructions from Mr. Adam Cheung and Ms. LC Cheung). Upon the completion of the above acquisition on 22 February 2019, Pak Fai became a wholly-owned subsidiary of Creative Panda.

On 22 February 2019, Mr. Adam Cheung and Ms. LC Cheung as vendors and Vantage Charm as purchaser, entered into a sale and purchase agreement, pursuant to which Vantage Charm acquired 180,000 shares and 120,000 shares of Ma Yau from Mr. Adam Cheung and Ms. LC Cheung respectively, representing its entire number of issued shares in aggregate, at the consideration of HK$6,623,000 (which was determined with reference to the unaudited net asset value of Ma Yau as at 31 December 2018), and in return, Vantage Charm issued and allotted one ordinary share of par value US$1.00, credited as fully-paid, to Autumn Well (with the instructions from Mr. Adam Cheung and Ms. LC Cheung). Upon the completion of the above acquisition on 22 February 2019, Ma Yau became a wholly-owned subsidiary of Vantage Charm.

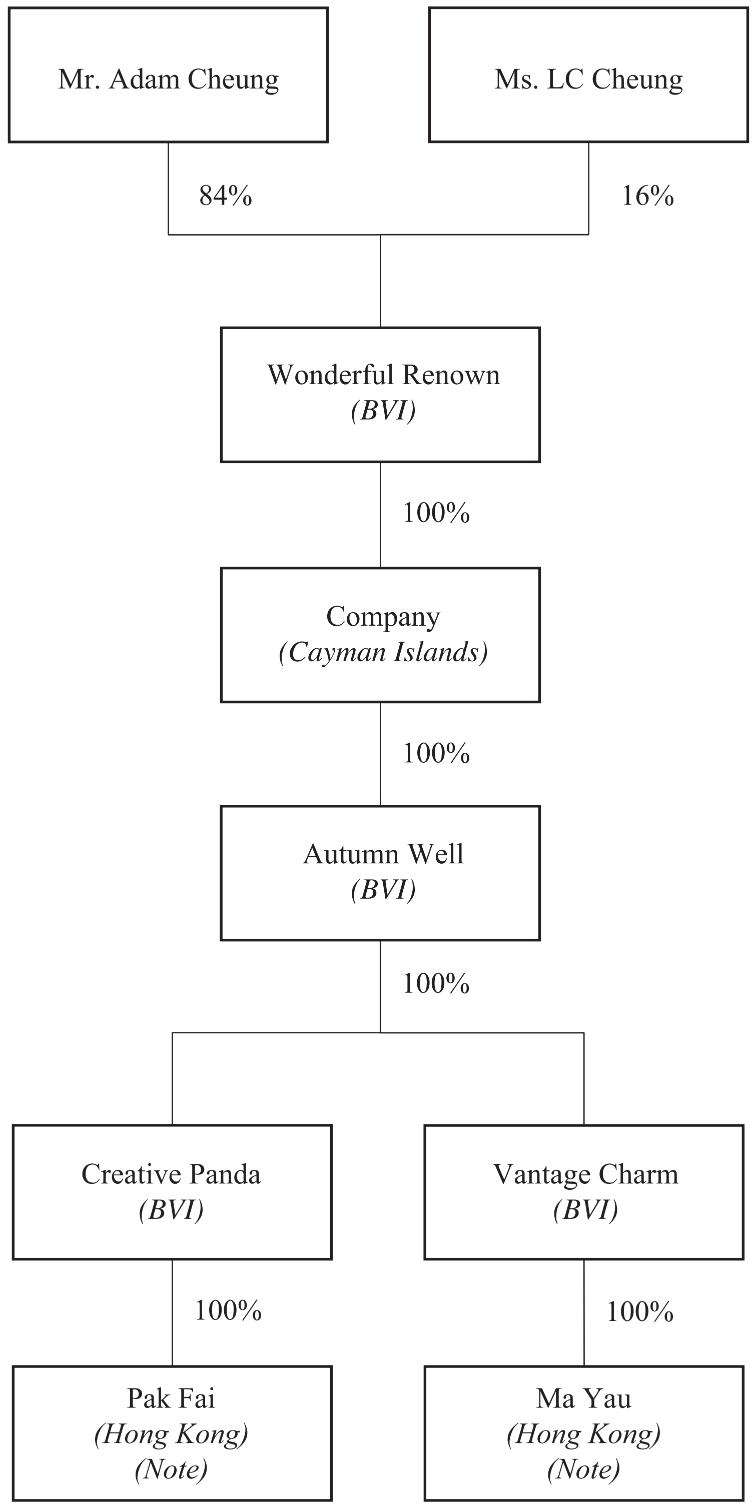
Acquisition of Autumn Well by our Company

On 28 February 2019, Wonderful Renown as vendor and our Company as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired one ordinary share of par value US$1.00 of Autumn Well (representing its only issued share) from Wonderful Renown, at a consideration of HK$78,798,324 which was determined with reference to the aggregate unaudited net asset value of Pak Fai and Ma Yau as at 31 December 2018. The consideration for acquisition was satisfied by (i) our Company credited as fully paid at par the one nil-paid Share held by Wonderful Renown, and (ii) our Company issued and allotted 9,999 Shares, credited as fully-paid, to Wonderful Renown.

Upon the completion of the above acquisition on 28 February 2019, Autumn Well became a direct and wholly-owned subsidiary of our Company. The issued share capital of our Company was held as to 100% by Wonderful Renown.

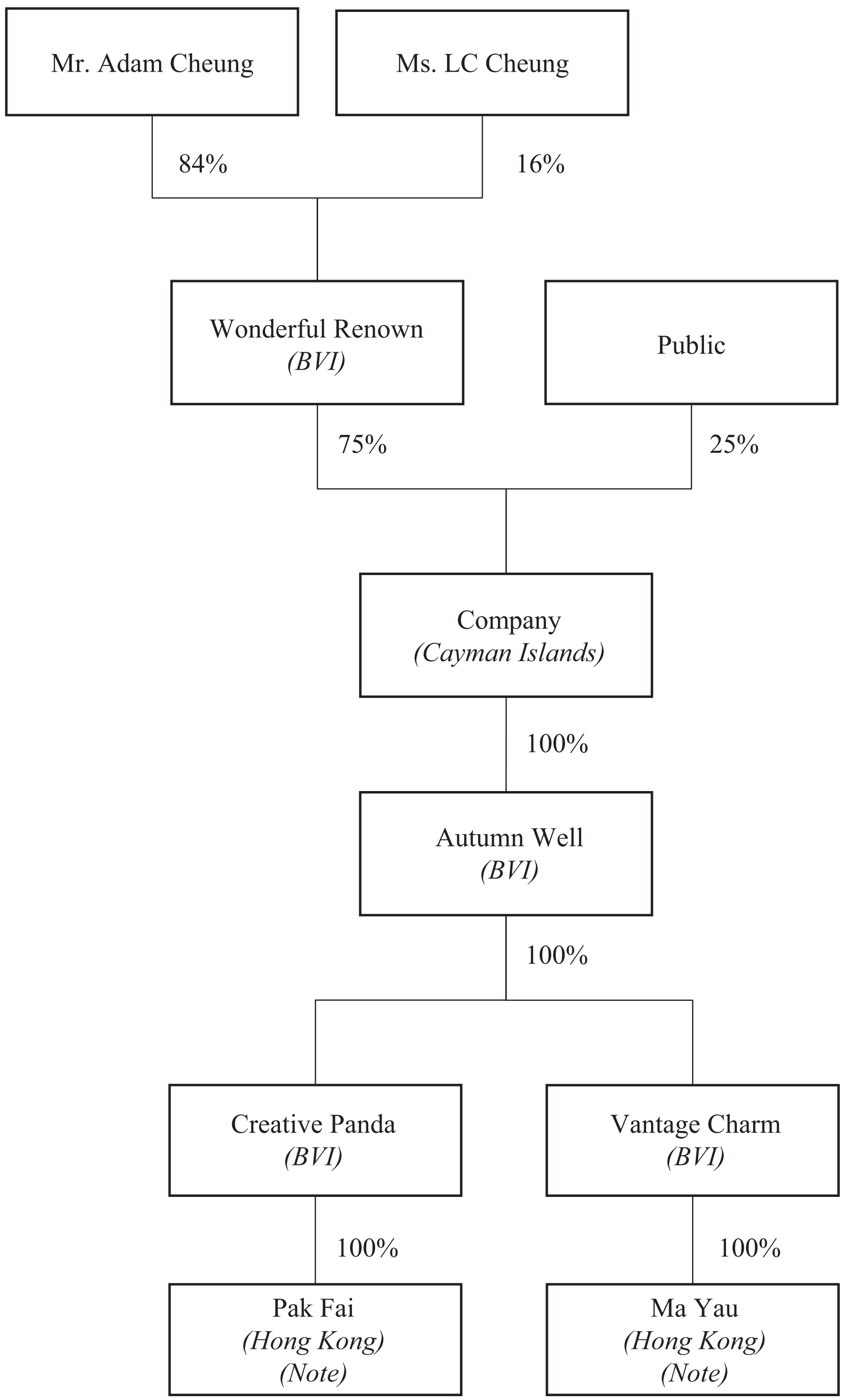
GROUP STRUCTURE

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



Note: Pak Fai and Ma Yau are our principal operating subsidiaries and their principal business activity is to undertake wet trades works as a subcontractor in Hong Kong.

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



Note: *Pak Fai and Ma Yau are our principal operating subsidiaries and their principal business activity is to undertake wet trades works as a subcontractor in Hong Kong.*

OVERVIEW

Our business model

We are an established subcontractor in Hong Kong and principally engage in the provision of wet trades works and other wet trades related ancillary works. Wet trades works include plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works. According to the Industry Report, our Group ranked the fifth in the Hong Kong wet trades market in terms of revenue in 2018, and accounted for approximately 3.8% of the market share in 2018. According to Industry Report, there were approximately 530 contractors and sub-contractors registered under the trade specialties of "Finishing Wet Trades" and "Marble, Granite and Stone Works" as at 31 January 2019.

Our Group provides wet trades works through our principal operating subsidiaries, namely, Pak Fai and Ma Yau. Both of our principal operating subsidiaries have registered in the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. We first completed such registration under the predecessor scheme in April 2004 and our registration has since then covered finishing wet trades, marble, granite and stone work with a wide range of specialties including brick work, plastering and tiling, spray plaster and screeding, marble and granite works. Please refer to the paragraph headed "Licences and permits" in this section for further details.

We provide wet trades works in private projects and public projects for various building construction projects including residential buildings, commercial buildings and public infrastructure. The following table sets out a breakdown of our revenue, gross profit and gross profit margin by building types during the Track Record Period:

	FY2016				FY2017				FY2018				For the three months ended 31 March 2018				For the three months ended 31 March 2019			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue (Unaudited)		Gross profit (Unaudited)	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
Residential buildings	136,020	89.5	13,920	10.2	153,350	62.6	17,695	11.5	320,082	74.1	40,610	12.7	71,292	78.1	9,745	13.7	130,514	93.6	16,583	12.7
Commercial buildings	8,177	5.4	1,186	14.5	44,623	18.2	4,427	9.9	76,851	17.8	8,700	11.3	9,506	10.4	573	6.0	7,396	5.3	613	8.3
Public infrastructure	7,781	5.1	917	11.8	47,061	19.2	5,823	12.4	34,886	8.1	3,556	10.2	10,462	11.5	602	5.8	1,499	1.1	75	5.0
Total	151,978	100.0	16,023	10.5	245,034	100.0	27,945	11.4	431,819	100.0	52,866	12.2	91,260	100.0	10,920	12.0	139,409	100.0	17,271	12.4

The majority of our revenue during the Track Record Period was derived from private projects. The following table sets out a breakdown of our revenue, gross profit and gross profit margin attributable to different types of projects:

	FY2016				FY2017				FY2018				For the three months ended 31 March 2018				2019			
	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue		Gross profit	Gross profit margin	Revenue (Unaudited)		Gross profit (Unaudited)	Gross profit margin	Revenue		Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private projects *(Note 1)*	144,197	94.9	15,106	10.5	197,973	80.8	22,122	11.2	396,933	91.9	49,310	12.4	80,798	88.5	10,318	12.8	137,910	98.9	17,196	12.5
Public Projects *(Note 2)*	7,781	5.1	917	11.8	47,061	19.2	5,823	12.4	34,886	8.1	3,556	10.2	10,462	11.5	602	5.8	1,499	1.1	75	5.0
	151,978	100.0	16,023	10.5	245,034	100.0	27,945	11.4	431,819	100.0	52,866	12.2	91,260	100.0	10,920	12.0	139,409	100.0	17,271	12.4

Notes:

1. These refer to projects which are not public projects.
2. These refer to public infrastructure projects and projects in which the ultimate employer(s) is a Government department or a statutory body.

During the Track Record Period and up to the Latest Practicable Date, we completed 31 wet trades projects with a total contract sum of approximately HK$687.5 million. As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced). Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million. Further details of our projects backlog are set out in the paragraph headed "Our Projects — Our project backlog" in this section.

Our direct customers include main contractors and subcontractors of various building construction projects in Hong Kong while the ultimate owners of the projects undertaken by us mainly include the Government and property developers. As a subcontractor, we mainly secure our projects from contractors through tenders by invitation. We strive to maintain good relationship with our major customers to establish good reputation and to gain future business opportunity.

During the Track Record Period, Sanfield, a subsidiary of a reputable company listed on the Stock Exchange, being a major property developer in Hong Kong, is our largest customer. As at the Latest Practicable Date, we had maintained long-standing business relationship with an affiliated company of Sanfield for about 25 years since 1994. Our revenue from Sanfield was approximately HK$94.9 million, HK$115.9 million, HK$181.7 million and HK$56.0 million, which accounted for approximately 62.5%, 47.3%, 42.1% and 40.2% of our total revenue, respectively, for FY2016, FY2017, FY2018 and the three months ended 31 March 2019. Being an approved subcontractor for Sanfield, we are well-versed on meeting stringent safety and quality standards over our wet trades works of other potential customers. Please refer to the paragraph headed "Competitive Strengths — We have long-established business relationship with Sanfield" in this section for details.

We relied on subcontractors in the execution of our projects. Our subcontractors are mainly responsible for providing labour resources for our wet trades projects. We subcontract different types of works to different subcontractors, while maintaining overall project management and implementation. We had only 16, 18, 35 and 36 employees as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively and we recorded subcontracting fees of HK$120.9 million, HK$198.1 million, HK$351.1 million and HK$111.4 million for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively, which accounted for 89.0%, 91.3%, 92.6% and 91.2% of our total costs of services for the relevant years/period. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total subcontracting fees incurred from our largest subcontractors amounted to approximately 10.9%, 8.7%, 12.8% and 25.7% of our total subcontracting fees incurred from our subcontractors, respectively, while the percentage of our total subcontracting fees incurred from our five largest subcontractors together amounted to approximately 26.6%, 23.0%, 21.1% and 40.4% of our total subcontracting fees incurred from our subcontractors, respectively.

During the Track Record Period, suppliers of goods and services to our Group (excluding our subcontractors) mainly include: (i) suppliers of construction materials and toolings; (ii) machinery and equipment rental service providers; and (iii) suppliers of safety consultancy services, repair and maintenance services and logistics services. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total purchases (excluding subcontracting fees) incurred from our largest supplier amounted to approximately, 19.6%, 32.2%, 41.3% and 21.5% of our total purchases (excluding subcontracting fees) incurred from our suppliers, respectively, while the percentage of our total purchases (excluding subcontracting fees) incurred from our five largest suppliers together amounted to approximately 59.1%, 71.2%, 73.7% and 65.6% of our total purchases (excluding subcontracting fees) incurred from our suppliers, respectively.

According to the Industry Report, it is estimated that the gross value of the wet trades works industry in Hong Kong will reach approximately HK$14,785.2 million in 2023, representing a CAGR of approximately 5.4% from 2019 to 2023. According to the Industry Report, as outlined in the Chief Executive's 2018 Policy Address ("**2018 Policy Address**"), the Government will continue to increase in land supply in new development areas such as Hung Shui Kiu New Development Area and development of commercial area in Kowloon East. Moreover, the 2018 Policy Address proposed the "Lantau Tomorrow Vision" which included construction of artificial islands. Together with the release of the "Hong Kong 2030: Planning Vision and Strategy", the construction of North East New Territories New Development Areas in Kwu Tung North, Fanling North and Ping Che, our Directors believe that we are well-positioned to capture the growing demand for wet trades services in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed "Industry Overview — Overview of the wet trades works industry in Hong Kong — Key drivers and opportunities of wet trades works industry in Hong Kong" in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe our Group possesses the following competitive strengths:

We have long-established business relationship with Sanfield

We have long-standing and stable strategic business relationship with Sanfield, a subsidiary of a reputable company listed on the Stock Exchange, being a major property developer in Hong Kong. The late Mr. Ma Lang Yau, one of our founders, provided wet trades works to an affiliated company of Sanfield since 1982, while our Group has been conducting business with Sanfield and its affiliated company since 1994 for about 25 years. Our Group has been on the approved subcontractor list of Sanfield or such affiliated company since 1994. In addition, we are one of the three largest subcontractors engaged by Sanfield for wet trades works according to the Industry Report. We received numerous awards from members of the parent group of Sanfield such as awards in relation to residential development projects in Tseung Kwan O and Yuen Long. Hence, we believe that Sanfield regards us as its valued business partner. During the Track Record Period, the revenue contributed by Sanfield accounted for approximately HK$94.9 million, HK$115.9 million, HK$181.7 million and HK$56.0 million respectively, which accounted for approximately 62.5%, 47.3%, 42.1% and 40.2% of our total revenue for the corresponding years/period. According to the Industry Report, the parent group of Sanfield is famous for its high quality property developments and stringent requirements of subcontractor selection. Our Group, being a major subcontractor of Sanfield for wet trades works, is known for our good quality works in the industry.

Being an approved subcontractor for Sanfield, we are well-versed on meeting stringent safety and quality standards over our wet trades works of other potential customers. During the Track Record Period and up to the Latest Practicable Date, we had undertaken wet trades works for properties developed by four out of the top five property developers in Hong Kong in terms of number of property completion according to the Industry Report. Please see the paragraph headed "Relationship with property developers in Hong Kong" in this section for further details. We were also engaged by new customers for a number of sizable projects during the Track Record Period. For example, project P17 (project reference number corresponds with the table disclosed in the paragraph headed "Our projects — 'Completed projects' and 'Projects on hand'" in this section), a commercial development project in Kwun Tong with an original contract sum of approximately HK$11.9 million, project P36, a residential development project in Tuen Mun with an original contract sum of approximately HK$16.9 million and project P37, a public infrastructure development project with an original contract sum of approximately HK$9.1 million were engaged by three new customers, respectively. During the Track Record Period, approximately HK$28.9 million, HK$41.9 million, HK$91.3 million and HK$33.1 million, representing approximately 19.0%, 17.1%, 21.1% and 23.7% of our total revenue were generated from new customers (including customers who engaged us for the first time in the past five years) for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively. Attributed to our good reputation and extensive experience of working with sizeable customers, we believe not only can we attract opportunities to work on properties developed by other top property developers as our customers, but also attract high quality subcontractors and workers in the wet trades labour market to work with us.

We have good payment record to our major subcontractors which enables us to have long-term and stable relationship with our major subcontractors

In addition, attributed to our strong financial capability, we have a track record of timely payment to our subcontractors. We generally do not adopt "pay when paid" policy with our subcontractors. We generally pay progress payment to our subcontractors in two stages. Firstly, we generally pay on behalf of our subcontractors to their workers within seven days from the date of their payment application (usually the last day of a month). Then, we generally pay the remaining progress payment to our subcontractors within two weeks from the date of their payment application. In other words, we generally pay our subcontractors before payment by our customers. For instance, as at 31 December 2018, our trade payables amounted to approximately HK$52.4 million, of which approximately HK$48.9 million or approximately 93.3% had been subsequently settled up to 15 January 2019. We believe our good payment history distinguishes us from our competitors and help us to attract and retain high quality subcontractors.

Our Directors consider that our good track record of timely payment to our subcontractors enables us to have a long-term and stable relationship with our major subcontractors. We keep a pre-approved list of subcontractors, to ensure that our subcontractors possess the relevant qualifications. Some of our five largest subcontractors have been our subcontractors for over ten years.

Our Directors believe that our stable relationship with our subcontractors facilitates timely completion of projects with consistent quality construction services, and avoid labour shortage throughout the project period which are crucial to our Group's day-to-day operations and future business developments.

Established operating history and proven track record in the wet trades works industry in Hong Kong

We have extensive experience in undertaking wet trades works as a subcontractor in Hong Kong. We believe that our Group's long-term presence in the construction industry gives our customers confidence in our ability to complete our construction works with good quality in a timely manner.

During the Track Record Period and up to the Latest Practicable Date, we completed 31 wet trades projects in Hong Kong. As at the Latest Practicable Date, we had 16 projects on hand including projects in progress as well as projects that have been awarded to us but not yet commenced, details of which are set out in the paragraph headed "Our Projects — Our project backlog — Projects on hand" in this section. In addition, we have registered as a subcontractor under the predecessor scheme to the Registered Specialist Trade Contractors Scheme in the finishing wet trades category in April 2004. Due to our operating history and business track record, our Directors believe that we are more likely to attract high quality subcontractors and workers.

According to the Industry Report, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. Demand for quality wet trades works has thus increased in order to fulfil the interior design and inspection requirement. We believe that our proven track record of high quality work, our expertise in wet trades operations, our ability to deliver our jobs on time and within budget are the crucial factors that enable our Group to gain trust from our existing customers and give us a competitive edge when tendering for wet trades contracts which are crucial to our business operations and future business development.

We are committed to high safety and environmental management standards and stringent quality controls

Our Directors believe that the stringent quality assurance system and strong commitment to work's quality, safety, occupational health and environmental management are crucial to us in delivering quality works to our customers on a timely basis. Therefore, we have implemented a stringent management system regulating our work's quality, safety and environmental management standards, which comply with international standards. We have achieved the requirements of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 accreditation for our quality management system, environmental management system and occupational safety and health management system respectively.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the accident rates in respect of the employees of our Group and our subcontractors were approximately 11.0, 8.2, 3.6 and 3.4 per 1,000 workers, respectively. Our Group's accident rate at our construction sites was lower than the construction industry average in Hong Kong in FY2016 and FY2017 based on the documents published by the Government for FY2016 and FY2017. Our Directors believe that the comparatively low accident rate was attributed to our safety supervisors who monitor the safety control procedures and rules in our construction sites.

Our Group received numerous awards from Government departments, industry organisations and property developers on recognising our Group's work quality. Please refer to the paragraph headed "Awards and recognitions" in this section for further information. Further details of our quality control measures are set out in the paragraph headed "Quality control" in this section. In light of the above, our Directors believe that we are capable of completing the wet trades works undertaken by us in high quality standards and achieve sustainable growth in our business in the wet trades works industry.

Experienced and professional management team

Our management team has extensive industry knowledge and project experience in the wet trades works industry in Hong Kong. Mr. Adam Cheung, our executive Director and our Controlling Shareholder, has over 29 years of experience in the construction industry. Mr. Ng Sheung Chung, our executive Director, and Mr. Ma Kan Sun, our executive Director and the supervisor of our safety department, both have extensive experience in the wet trades works industry. For details of the qualification and experience of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this prospectus. We have an experienced construction site team, their qualifications and experiences facilitate the formulation of competitive tenders, which are essential in securing new business opportunities, and in carrying out efficient and timely execution and management of our projects. Our Directors believe that the combination of our management team's expertise and industry knowledge have been and will continue to be our Group's valuable assets and strive our Group towards greater success.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position as an established subcontractor for wet trades works in Hong Kong and to create long-term Shareholder's value. We intend to achieve our business objective by the following business strategies:

Continue to expand our market share and competing for more wet trades projects

We plan to continue to strengthen our capacity in undertaking further wet trades projects in Hong Kong. Given that we have been invited to submit tenders for a large number of projects, our Directors consider that our Group has plenty of opportunities to expand our business.

According to the Industry Report, market participants without enough experience, capital and financial resources are less likely to be considered in the tendering process. Therefore, wet trades contractors with stronger financial standing and cash flow liquidity are able to tender for more and larger scale projects. Furthermore, the issues of labour shortage and growing labour cost also lead to the higher adoption of machinery to reduce reliance of workers, and enhance overall efficiency and capacity when undertaking different wet trades projects. For example, plaster spray machines can replace the manual plastering procedure in wet trades works. In addition, we need to hire additional project management and office staff to cope with our expansion plan. We may have to decline certain tender or quotation invitations due to financial constraints or the lack of staff or the lack of machinery. During the Track Record Period and up to the Latest Practicable Date, we had received 576 tender or quotation invitations for wet trades projects, of which for 337 tender or quotation invitations we had either declined or submitted a less competitive tender price due to financial constraints or the lack of staff or the lack of machinery. As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced). Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million. Considering the above, it is imperative for us to strengthen our financial position, expand our manpower and acquire additional machinery.

Strengthen our financial position

We may incur upfront costs which arise from (i) net cash outflow at the early stage of a project and (ii) net cash outflow during the project until the cash flow breakeven.

We may experience net cash outflow at the early stage of a project as we are required to bear expenses upfront prior to the first payment received from our customers. Further, we generally continue to experience net cash outflow even after the first payment received from our customers, as a result of difference in time between receipt of progress payments from our customers and payments to our suppliers and subcontractors. Our customers make progress payments according to our work progress, and such payments need to be certified by our customers. In addition, the credit term granted to us by our subcontractors (typically within two weeks from the date of their payment application) is shorter than the credit term granted by us to our customers (typically 17 days to 60 days from the date of our payment application). Due to (i) the difference in the credit term granted to us by our subcontractors and the credit term granted by us to our customers; and (ii) the time required for assessing completion progress and making payment application, our cash outflow may represent our costs incur in the previous month while our cash inflow may represent our work done of the past one to two months.

Based on the experience of our Directors, the amount of work over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of work. We expect a continual net cash outflow even after the first payment received from our customers with the increasing costs incur such as subcontracting fees. In addition, where our contracts provide that our customers shall be entitled to retention money, 50% of the retention money will be released upon completion of the project and the remaining retention money will be released upon expiry of the defects liability period. Accordingly, our cash flows typically turn from net cash outflows into net cash inflows gradually as the project progresses.

According to the Industry Report, for construction projects in Hong Kong, it is not uncommon that contractors may be required to arrange with banks or insurance companies to provide performance bonds in the amount of certain percentage, which is usually equivalent to 10% or more of the contract sum, to their customers to ensure contractor's due performance and observance of a subcontract. The performance bond requirement may result in the lock-up of a portion of our capital during the term of the performance bond and thereby affecting our liquidity position. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, nil, 1.4%, 22.3% and 36.5% of tender invitations involved performance bond requirements and as confirmed by our Directors, for most of these tender invitations, we had either declined the invitations or submitted a less competitive tender price by factoring a higher profit margin in costs estimation, given that we did not have sufficient financial resources to meet these performance bond requirements. During the Track Record Period, based on the financial resources available to our Group at that time, we, as a subcontractor, only managed to undertake two wet trades projects which involved performance bonds and the aggregate bond amounts required in those projects amounted to approximately HK$3.6 million. Hence, the number of projects we are able to take on could be limited by our availability of financial resources for taking out performance bonds. Given our plan to undertake larger size project from new customers, we believe we need to provide performance bonds for new projects in the future. The performance bond requirement may result in the lock-up of a portion of our capital during the term of the performance bond and thereby affecting our liquidity position.

Our Directors believe that the net proceeds from the Share Offer will strengthen our available financial resources, thereby allowing us to undertake more projects by applying a portion of the proceeds mainly for satisfying our upfront costs and performance bonds requirements as requested by our customers.

Expand our manpower and enhance our work environment

We consider it is imperative to expand our workforce to enhance our project management capabilities. We intend to hire an additional of 27 staff for new positions such as legal consultant, engineer and tender manager and for our existing positions such as safety supervisor, quantity surveyor and site foreman after listing.

In addition, our office is close to saturation. To accommodate our expanding workforce and to enhance corporate image, our Directors intend to renovate our existing office and rent an additional office with gross floor area of approximately 2,500 sq. ft. It is expected that the rent for the expected office would be approximately HK$90,000 per month after considering the rent for similar property within the proximity of our existing office. Our Directors also plan to acquire a subcontractor payroll system to enhance documentation and automate manual procedures such as recording hours worked by subcontractor's workers. In view of our expansion of operation scale, our Directors are of the view that the implementation of information technology systems can save costs in the long run and reduce operational risks, thus improving our quality control.

Acquisition of additional machinery and equipment

To further enhance and optimise our overall efficiency and capacity in performing wet trades projects of different scale and complexity, we intend to acquire additional machinery and equipment with higher efficiency and technical capability. To cope with our needs for the projects on hand and the contracts that we plan to tender for, we plan to acquire three forklifts, 29 plaster spray machines, 2,000 sets of parts for plaster spray machines and three private vehicles. We also plan to acquire safety equipment and tools such as personal protective equipment and wet trades works ancillary tools.

With the expansion plan in place, we expect that a larger premises for storing our machines is required. In this respect, we intend to rent a warehouse to cope with the expected increase of machines as a result of our business expansion. Currently, we use our existing warehouse to store machinery such as plaster spray machines and equipment but not our forklifts. Our Directors are of the view that the existing warehouse is insufficient to meet our future operation and intend to look for a warehouse with gross floor area of approximately 5,000 sq. ft. It is expected that the rent for the expected warehouse would be approximately HK$45,000 per month after considering the rent for similar property in the New Territories.

Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further details of our use of proceeds for the above strategies.

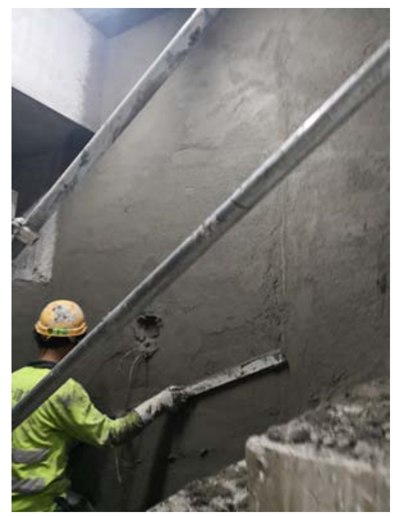
OUR BUSINESS OPERATION

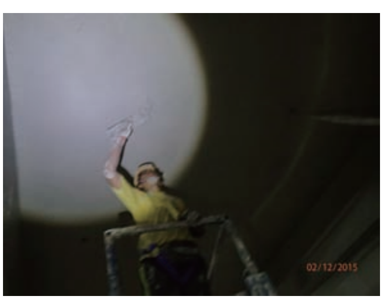
Our Services

Type of works undertaken

We principally offer comprehensive wet trades works solutions as a subcontractor. Our wet trades works generally include plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works. Set forth below is a brief overview of each type of wet trades works we offered during the Track Record Period:

Plastering works on floors, walls and ceilings





Plastering works refer to the working with plaster. Before applying the plaster on a wall surface, our subcontractors would ensure that the wall surface is clean and free from dust and any loose part of plaster from brick laying process. Water would be sprinkled over the wall surface to ensure better adhesion of the plaster. We then mix appropriate amount and ratio of base plaster and water by drum mixers or plaster spray machines. Our subcontractors would use plaster trowel, a tool to apply, spread, shape and smooth plaster, to scoop an amount of plaster which could be held by the plaster hawk, a tool to hold and carry plaster, or directly use the plaster spray machine to spray the plaster on the wall. When the wall surface is full of plaster, our subcontractors would use nice and smooth strokes with the trowel and press onto the wall in order to spread the plaster evenly over the surface. By applying the pressure on the plaster towards different directions, the wall would be fully and equally covered with the plaster. Wall corners should be the last to be pressed.

Tile laying on internal and external walls and floors

Tile laying works refer to a series of tasks to be performed in a proper sequence in order to lay the tiles on the surface of a wall or floor. Our subcontractors would conduct checks to see whether there is any unintended colour/shade variation within the tiles. Our subcontractors would also check whether the tile adhesive to be used is compatible with the background/base of the wall/floor. Tiles would be cut neatly and accurately subject to the approval of the architect of our customers, and would be fixed so that there is tile adhesion over the whole of the floor, base of the wall, and the back of the tiles. Before applying bedding material, proper adjustment may be made to give true, regular appearance to tiles and joints when viewed under final lighting conditions. After placing the bedding material, our subcontractors would clean the surplus bedding material from joints and surface of tiles.

Brick laying works

Brick laying works refer to a series of tasks to be performed in a proper sequence in order to lay the brick blocks in position row by row to establish a proper spacing of blocks. Mortar is first laid for full bed width and blocks are then laid one at a time by gently pressing them into the mortar bed. A line thread would be used with a line pin from one end to the other end. Checks are then conducted to ensure that all blocks are "plumb" (meaning built vertically upright) and properly bonded. Checks would also be conducted to ensure all joints are moulded and that excess mortar coming out on the edge are buttered to the cross directional joint or the head joint surface of the next block to be laid. Our subcontractors would normally close the bond, locate it near the centre of the wall and butter both edges of the closure block with mortar before laying the last closure block in the row. The above steps are repeated for each of the rows and the whole block work is to be built in uniform layers.

Marble works

Marble works refer to the laying of marble tiles to the floor. An inspection of the marble tiles would be carried out to ensure that there are no cracks or gaps in the polished surface of the tiles. Floor surface is levelled before laying the marble tiles. Our subcontractors would also mark the grid on the floor to indicate where the marble tiles would be laid. The marble tiles would then be placed according to the pattern in the grid and a layer of adhesive would be applied using a notched trowel. Our subcontractors would then lay the marble tiles firmly on top of the adhesive after the adhesive is applied. Our subcontractors would position the marble tiles in place using spacers and cut the marble tiles to fit in the edges along the walls using a wet saw in order to minimise the risk of marble tiles breaking when they are being cut. The process is repeated until all the specially sized marble tiles are cut and placed onto the adhesive. Any excess adhesive between the marble tiles is then removed and the marble tiles are left undisturbed for at least 24 hours for the adhesive to dry. Our subcontractors would then seal the marble tiles and fill the spaces between the marble tiles with mortar.

Wet trades related ancillary works

We also provide wet trades related ancillary works such as touch-ups, chiselling, smoothing, cleaning, applying sealant, washed granolithic screed and on-site logistics service etc..

OUR PROJECTS

The following table sets out the number of contracts that have been awarded to our Group during the Track Record Period and up to the Latest Practicable Date and the corresponding aggregate amount of original contract sum in respect of such contracts:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
Number of contracts awarded (Note 1)					
• with contract sum of HK$10 million or less	4	1	7	—	1
• with contract sum more than HK$10 million and less than or equal to HK$50 million	2	8	8	1	1
• with contract sum more than HK$50 million	—	1	2	2	—
Total number of contracts awarded	6	10	17	3	2
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Aggregate amount of original contract sum (Note 2)	43,492	394,397	475,335	185,629	48,204

Notes:

1. Number of contracts awarded for each financial year includes projects with respect to which our engagement was confirmed during the financial year, regardless of whether or not our tender was submitted during the same financial year.

2. The aggregate amount of original contract sum of projects awarded in FY2016, FY2017, FY2018 and the three months ended 31 March 2019 is based on the initial agreement between our customer and us and does not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum. Please see the paragraph headed "Operation flow — Variation orders" in this section for more details. The aggregate amount of original sum of projects awarded in the period from 1 April 2019 to the Latest Practicable Date is the aggregate amount of original contract sum of such contracts as specified in contracts or our Directors' estimated contract sum with reference to the tender price.

Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances, the duration of a contract (from the project commencement date to the date of substantial completion) could generally range from approximately six to 30 months.

Our customers are contractors of various types of residential, commercial and other building projects in Hong Kong. Such projects can generally be categorised into private projects and public projects.

The following table sets out a breakdown of our revenue during the Track Record Period attributable to different types of projects:

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Private projects (Note 1)	144,197	94.9	197,973	80.8	396,933	91.9	80,798	88.5	137,910	98.9
Public projects (Note 2)	7,781	5.1	47,061	19.2	34,886	8.0	10,462	11.5	1,499	1.1
	151,978	100.0	245,034	100.0	431,819	100.0	91,260	100.0	139,409	100.0

Notes:

1. These refer to projects which are not public projects.
2. These refer to public infrastructure projects and projects in which the ultimate employer(s) is a Government department or a statutory body.

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

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Residential buildings	136,020	89.5	153,350	62.6	320,082	74.1	71,292	78.1	130,514	93.6
Commercial buildings	8,177	5.4	44,623	18.2	76,852	17.8	9,506	10.4	7,396	5.3
Public infrastructure	7,781	5.1	47,061	19.2	34,885	8.1	10,462	11.5	1,499	1.1
	151,978	100.0	245,034	100.0	431,819	100.0	91,260	100.0	139,409	100.0

Our project backlog

The following table sets out the movement of the number of our wet trades projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
Opening number of projects *(Note 1)*	9	10	11	17	18
Number of new projects *(Note 2)*	6	10	17	3	2
Number of substantially completed projects *(Note 3)*	(5)	(9)	(11)	(2)	(4)
Ending number of projects *(Note 4)*	10	11	17	18	16 *(Note 5)*

Notes:

1. Opening number of projects means the number of awarded projects which were not substantially completed as of the beginning of the relevant year/period indicated.

2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated, including those projects tendered in the preceding year which were awarded in the relevant year/period.

3. We usually make progress payment requests in a bi-weekly or monthly interval to the respective customer. Unless otherwise specified, substantial completion refers to the last payment application for work done before ceasing to apply for progress payment for two consecutive months.

4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of substantially completed projects during the relevant year/period indicated.

5. Out of the 16 projects on hand as at the Latest Practicable Date, eight projects were properties developed by four out of the top five property developers in Hong Kong in terms of number of property completion according to the Industry Report. The ending contract value on hand of these eight projects was approximately HK$260.2 million as at the Latest Practicable Date.

The following table sets out the movement of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening contract value brought forward from last year/period	101,996	36,103	273,337	370,989	459,602
Awarded contract sum of new projects *(Note 1)*	43,492	394,397	475,335	185,629	48,204
Variation orders	42,593	87,871	54,136	42,393	22,196
Revenue recognized	(151,978)	(245,034)	(431,819)	(139,409)	(186,456)
Ending contract value on hand as at the year/period end date *(Note 2)*	36,103	273,337	370,989	459,602	343,546

Notes:

1. The awarded contract sum of new projects for FY2016, FY2017, FY2018 and the three months ended 31 March 2019 is the aggregate amount of original contract sum based on the initial agreement between our customer and us and does not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the awarded contract sum. The aggregate amount of original contract sum of new projects for the period from 1 April 2019 to the Latest Practicable Date is the aggregate amount of original contract sum of such contracts specified in contracts or our Directors' estimated contract sum with reference to the tender price.

2. Ending contract value on hand refers to the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been fully completed or subject to agreement on final account with our customers as at the end of the relevant year/period indicated.

Completed projects

During the Track Record Period and as at the Latest Practicable Date, we had substantially completed 31 projects among which 21 were major projects with total contract sum exceeding HK$5.0 million each and ten were projects with total contract sum less than HK$5.0 million each. The aggregate total contract sum of these ten projects each with total contract sum less than HK$5.0 million was approximately HK$9.8 million. The following table sets forth the details of our major substantially completed projects with total contract sum exceeding HK$5.0 million each as at the Latest Practicable Date (in descending order by contract sum):

Company Reference	Location and nature of project	Type of projects	Project commencement date (Note 1)	Project substantial completion date (Note 2)	Total contract sum (Note 3) (HK$'000)	Revenue recognised (HK$'000)				
									For the three months ended 31 March	
						FY2016	FY2017	FY2018	2018	2019
P08	a residential development project in Tseung Kwan O	Private	March 2015	April 2018	123,926	48,697	21,335	2,981	2,532	2,315
P55	a residential development project in Fanling	Private	December 2012	April 2016	64,399	1,972	—	106	4	133
P01	a residential development project in Tin Hau	Private	March 2014	May 2016	55,063	12,505	1,302	844	—	520
P10	a residential development project in North Point	Private	September 2015	January 2017	54,343	27,347	3,251	5,326	886	3,425
P19	a commercial development project in Sha Tin	Private	January 2017	December 2018	46,834	—	20,023	26,649	3,725	—
P15	a residential development project in Kam Tin	Private	February 2012	April 2016	45,637	215	—	—	—	380
P02	a residential development project in Southern District	Private	January 2016	December 2018	39,365	19,579	15,565	4,003	1,084	—
P20	a public infrastructure project in Lantau Island	Public	January 2017	December 2018	28,044	—	21,453	6,592	5,260	—
P53	a commercial development project in Lai Chi Kok	Private	March 2014	March 2016	27,697	721	—	598	—	454
P21	a public infrastructure project in Sha Tau Kok	Public	May 2017	December 2018	23,784	—	6,901	16,822	2,894	—
P23	a commercial development project in Fanling	Private	October 2017	December 2018	21,770	—	7,143	14,388	1,251	114

Company Reference	Location and nature of project	Type of projects	Project commencement date (Note 1)	Project substantial completion date (Note 2)	Total contract sum (Note 3) (HK$'000)	Revenue recognised (HK$'000)				
									For the three months ended 31 March	
						FY2016	FY2017	FY2018	2018	2019
P22	a public infrastructure project in Tin Shui Wai	Public	September 2017	December 2018	20,933	–	14,461	6,471	2,308	–
P30	a residential development project in Sai Ying Pun	Private	October 2017	December 2018	18,490	–	–	18,250	2,414	58
P17	a commercial development project in Kwun Tong	Private	March 2017	November 2018	16,429	–	6,199	9,989	3,481	–
P13	a residential development project in Kennedy Town	Private	January 2014	January 2016	16,106	343	759	–	–	–
P16	a residential development project in North Point	Private	September 2017	June 2019	15,234	–	8,598	5,445	2,762	736
P03	a residential development project in Sheung Wan	Private	August 2016	November 2017	15,123	4,611	9,977	447	270	88
P57	a commercial development project in Ma On Shan	Private	January 2016	July 2017	14,735	4,353	10,141	–	–	–
P05	a public infrastructure project in Wan Chai	Public	January 2014	March 2017	12,690	7,766	4,246	negligible	–	–
P32	a commercial development project in Shau Kei Wan	Private	April 2018	June 2019	11,969	–	–	11,874	–	95
P63	a residential development project in Yuen Long	Private	February 2018	March 2019	5,121	–	–	5,015	159	106
					Total:	128,109	151,354	135,800	29,030	8,424

Notes:

1. This refers to the commencement date specified in the contract. If the commencement date is not specified in the contract, this refers to the actual commencement date.

2. We usually make progress payment requests in a bi-weekly or monthly interval to the respective customer. Substantial completion refers to the last payment application for work done before ceasing to apply for progress payment for two consecutive months.

3. The total contract sum in respect of each contract represents the original estimated contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the actual amount of orders under the contracts, subsequent adjustments due to variation orders and other updated information provided by the relevant customer.

During the Track Record Period and up to the Latest Practicable Date, all of the above completed projects were profitable.

Projects on hand

We had 16 projects on hand as at the Latest Practicable Date that have been awarded to us but not completed of which two projects were awarded to us between 1 April 2019 and the Latest Practicable Date.

The following table sets out the details of our projects on hand as at the Latest Practicable Date:

Company Reference	Location and nature of the projects	Type of projects	Project commencement date (Note 1)	Expected project completion date (Note 2)	Original contract sum (Note 3) (HK$'000)	Revenue recognised (Note 4) (HK$'000)			For the three months ended 31 March		Estimated revenue to be recognised (Note 5) (HK$'000)	
						FY2016	FY2017	FY2018	2018	2019	FY2019	FY2020
P18	a residential development project in Tseung Kwan O	Private	April 2017	August 2019	229,745	–	77,573	141,125	60,257	19,325	38,736	–
P40	a residential development project in Tin Shui Wai	Private	November 2018	February 2020	197,110	–	–	17,461	–	20,854	152,311	27,339
P48	a residential development project in Tseung Kwan O	Private	July 2019	December 2019	104,073	–	–	–	–	1,899	104,073	–
P49	a residential development project in Tuen Mun	Private	August 2019	December 2020	59,991 (Note 6)	–	–	–	–	2,296	20,844	39,147
P45	a residential development project in Tai Wai	Private	August 2018	December 2019	56,825	–	–	1,489	–	145	55,438	–
P66	a residential development project in Tseung Kwan O	Private	October 2019	September 2020	48,000	–	–	–	–	–	24,000	24,000
P47	a residential development project in Tuen Mun	Private	August 2018	September 2019	44,612	–	–	18,831	–	22,469	23,416	–
P31	a residential development project in To Kwa Wan	Private	May 2017	October 2019	38,853	–	–	31,154	863	11,492	15,628	–
P34	a residential development project in Tai Po	Private	February 2018	October 2019	38,152	–	–	14,306	–	13,564	23,846	–
P65	a residential development project in Yuen Long	Private	July 2018	October 2019	37,392	–	–	5,134	–	7,977	32,258	–
P46	a residential development project in Ma On Shan	Private	September 2018	October 2019	25,447	–	–	18,848	–	10,317	12,463	–
P50	a commercial development project in Tseung Kwan O	Private	September 2019	February 2020	21,565 (Note 6)	–	–	–	–	1,523	8,489	13,077

Company Reference	Location and nature of the projects	Type of projects	Project commencement date (Note 1)	Expected project completion date (Note 2)	Original contract sum (Note 3) (HK$'000)	Revenue recognised (Note 4) (HK$'000)			For the three months ended 31 March		Estimated revenue to be recognised (Note 5) (HK$'000)	
						FY2016	FY2017	FY2018	2018	2019	FY2019	FY2020
P36	a residential development project in Tuen Mun	Private	September 2017	September 2019	16,880	–	–	14,533	–	2,923	4,906	–
P38	a commercial development project in Tsuen Wan	Private	July 2018	September 2019	16,543	–	–	10,568	–	4,869	6,950	–
P37	a public infrastructure project in Hong Kong International Airport	Public	June 2018	September 2019	9,138	–	–	5,001	–	1,499	6,187	–
P42	a residential project in Nam Cheong	Private	July 2018	March 2020	2,745	–	–	151	–	1,038	2,499	96
				Total:	947,071	–	77,573	278,601	61,120	122,190	532,044	103,659

Notes:

1. This refers to the commencement date specified in the contract. If the commencement date is not specified in the contract, this refers to the actual commencement date or our Directors' estimated commencement date with reference to communications with our customers.

2. The expected project completion date is based on our Director's estimation with reference to the completion date specified in the contract, project progress and subsequent communications with our customers.

3. Original contract sum excludes any variation orders or adjustments in contract sum after award of contract. Unless otherwise specified, this refers to the original contract sum specified in the contract.

4. Revenue recognised represents the revenue recognised for each project during each year, including revenue recognised for variation orders.

5. The estimated revenue to be recognised in respect of each contract represents amount of the original contract sum stated in the contract, or, where applicable, the adjusted contract sum taking into account the variation orders confirmed and received before the Latest Practicable Date; and deducting the revenue recognised on or before 31 December 2018.

6. This refers to our Directors' estimated contract sum with reference to the tender price.

OPERATION FLOW

The following diagram summarises the principal steps of our operation flow:

Principal steps	Staff/department involved
Project identification and invitation by tender	Administration department
Tender analysis and preparation of tenders	Site agent Quantity surveyor Contract manager Executive Directors Procurement department Contract department Administration department
Analysis, approval and decision-making by customer	Contract manager
Receiving notice of engagement	
Forming a project team and other preparatory steps for execution	Executive Directors Contract manager Safety supervisor Site foreman Site agent Subcontractor Administration department Procurement department Supplier Accounting department
Cyclical Process:	
Execution	Quantity surveyor Site foreman Site agent Subcontractor Administration department Procurement department Accounting department
Variation orders	Subcontractor Site agent Site foreman Quantity surveyor
Monitoring and quality inspection	Quantity surveyor Site agent Site foreman
Customer inspection and application for progress payment	Quantity surveyor Executive Directors Accounting department
After the completion of project	
Project completion	Quantity surveyor Accounting department
Defects liability period	Site agent Quantity surveyor Accounting department

Project identification and invitation by tender

Our projects are typically awarded through tender by invitation. We are usually invited by our customer by way of invitation letters, phone calls or emails to submit a tender proposal for a potential project as a subcontractor. Our customers are contractors of various types of building construction projects in Hong Kong. We are also provided with preliminary information on the specifications, site conditions and relevant drawings. For further information of our marketing activities, please refer to the paragraph headed "Customers — Marketing activities" in this section.

Tender analysis and preparation of tenders

After receiving the tender or quotation details, our executive Directors, with the assistance of our site agents and quantity surveyors, make a preliminary assessment of the requirements of the tender. In our assessment, in considering whether to bid for the tender, we evaluate the profitability of the project, the feasibility of undertaking such project with reference to technical specifications, our expertise and capacity, our available manpower resources, cost of labours and construction materials, project schedule, quality expectation, preliminary safety and environmental risk analysis, accessibility to the work sites and other possible risk factors associated with such project. We may also conduct on-site inspection for a better understanding of the conditions of the site if necessary. This process typically lasts for about two weeks.

Once our executive Directors consider a potential project to be acceptable based on our review and assessment, our contract managers are responsible for preparing a tender proposal based on the information provided by our prospective customer. The actual contents of our tender proposal or quotation submitted to the main contractor depends on the project nature and requirements from the customers. In the course of preparation of a tender, we also consider the complexity of a potential project, the manpower needed and the tender price. Details of our tender submission are reviewed and approved by our executive Directors before submission to the customer for consideration and tender interview.

It is our strategy to be responsive to our customers' tender and quotation invitations, and actively provide to our customers our fee quotations and/or tender submissions upon receipt of their invitations after our review and assessment. Our Directors believe that this can enable us to (i) maintain our relationship with customers; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. Due to such strategy and subject to the tender/quotation strategy of our competitors from time to time, we may experience fluctuations in our overall tender/quotation success rates from period to period.

Our tender success rate

The following table summarises our overall tender success rate for FY2016, FY2017, FY2018, the three months ended 31 March 2019 and for the period from 1 April 2019 up to the Latest Practicable Date:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2019	From 1 April 2019 to the Latest Practicable Date
Number of tender invitations received	105	145	197	52	77
Number of tenders submitted *(Note 2)*	87	112	147	38	64
Number of tenders awarded	12	16	20	0	2
Success rate *(Note 1)* (%)	13.8	14.3	13.6	—	3.1

Notes:

1. Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

2. Among the total number of tenders submitted, the number of tenders submitted at a competitive tender price for FY2016, FY2017, FY2018, the three months ended 31 March 2019 and for the period from 1 April 2019 to the Latest Practicable Date was 50, 71, 94, 9 and 12, respectively.

Our overall tender success rate was stable for the Track Record Period. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our tender success rate was approximately 13.8%, 14.3%, 13.6% and nil, respectively. During the Track Record Period and up to the Latest Practicable Date, there had been no change in our tender strategy as mentioned above.

Analysis, approval and decision-making by customer

Upon receipt of our tender, our customer may, by way of interview or enquiries, clarify with us the particulars of our submitted tender. Once our customer decides to engage us, we will normally be informed of its acceptance of our tenders by a notice of engagement to us by our customer followed by a formal agreement to be entered into between us and the customer incorporating the detailed terms and conditions of the contract. For the principal terms of our engagement in a typical contract, please refer to the paragraph headed "Customers — Major terms of engagement with our customers" in this section.

Forming a project team and other preparatory steps for execution

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: site agent, site foreman, quantity surveyor and safety supervisor.

Our executive Directors select suitable site agents, site foremen and safety supervisors for the project and closely monitor the progress of the project on a continuous basis to ensure that our works meet our customers' requirements and schedule, are within budget and in compliance with all applicable laws and regulations. Our project team reports to our executive Directors on project status and identify any issues that need to be resolved from time to time.

Set out below are some general duties performed by our key personnel in a project team:

Site Agent and Site Foreman

Our site agents, with the assistance of site foremen, are mainly responsible for communicating with our customers, subcontractors and other members of the project team on the project status, supervising our overall workforce on site, monitoring work efficiency and performance of site workers, allocation of resources in a project and reviewing the progress records prepared by site foremen. They attend the periodical site meetings with the representatives of main contractors and other subcontractors concerning project progress and site safety.

Our site agents directly report to our Board on contract management, project status and issues, and attend progress meetings to report the project progress to our customers.

Quantity Surveyor

Our quantity surveyors are responsible for inspecting the work progress on site and preparing payment application. Our quantity surveyors are also required to update our site agent with the latest certified progress from our customers.

Safety Supervisors

Our safety supervisors are responsible for:

- inspecting work site to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations;
- providing or arrange trainings to the site workers directly employed by our Group or our subcontractors;
- providing updated information in relation to the safety guidelines and regulations to our site agents, site foremen and quantity surveyors; and
- performing investigation and preparing reports for any injury of the site workers directly employed by our Group or our subcontractors.

Arranging for machinery and equipment

Although our wet trades works are primarily labour intensive, our wet trades works may involve usage of machinery and equipment such as forklift and plaster spray machines. For wet trades projects involving plaster works, we have increasingly used plaster spray machines to replace manual operation so as to lower labour costs and further enhance our craftsmanship. We either make use of our own machinery and equipment or rent from external machinery and equipment rental service providers. Our site agents are responsible for managing the machinery and equipment for all projects and determining the types of machinery to be used, the time for the usage of machinery and the transportation logistics of machinery. Our procurement department is responsible for procuring machinery and equipment and our accounting department is responsible for the payment of fees or deposits of machinery and equipment. For details on our machinery and equipment, please refer to the paragraph headed "Machinery and equipment" in this section.

Engagement of subcontractors

Depending on the project schedule, resources level, cost effectiveness and the complexity of the project, we will subcontract different types of works to different subcontractors who are on our list of approved subcontractors. We maintain our own approved list of subcontractors, which are selected based on their quality of work, reputation in the industry, sufficiency of labour, punctuality in delivery and their safety and environmental records. These subcontractors are instructed and closely monitored by our site agents. Our contract manager is responsible for managing contracts with our subcontractors.

Purchasing construction materials and toolings

We may be responsible for purchasing and providing required materials and toolings to subcontractors for the wet trades projects depending on the terms of the contract. The key construction materials that we purchase for our projects mainly include base plaster, tile adhesive, cement, sand brick and aggregates, while the toolings we used mainly comprise personal protective equipment, parts for plaster spray machines and other wet trades works ancillary tools. Our quantity surveyors will determine the quantity, delivery schedule, specifications and type of the construction materials and toolings to be purchased in order to meet our project needs and customers' requirements. We will then place orders with our approved suppliers and purchase the required materials and toolings on a project-by-project basis. Our construction materials are purchased and sent to the site directly from our suppliers. As the materials are generally purchased on a project basis in accordance with the project requirements, we rely on the accurate estimation on the amount of construction materials needed and we normally allow for a small buffer in each batch of order to avoid wastage. Please refer to the section headed "Risk factors — Rising costs and limited supply of raw materials may increase our costs and affect our performance" in this prospectus for further details.

A main contractor may pay on behalf of its subcontractor for certain expenses for a project, whereby such expenses would be deducted from its payments to that subcontractor in settling its contractual fees for the project. Such payment arrangement is referred to as the "Contra Charge Arrangement" and the amounts involved are referred to as the "Contra Charge Amount". For details of our Contra Charge Arrangement with our customers, please refer to the paragraph headed "Our suppliers and subcontractors — Contra charge arrangement with our major customers who are also our suppliers" in this section.

Execution

The construction works are executed by our subcontractors under the supervision of our on-site project teams and representatives of our customers. Throughout the execution phase, our site agent will meet our customers from time to time to review work progress and to resolve any issues identified during the course of execution. Please refer to the paragraph headed "Our services — Types of works undertaken" in this section for further details of our wet trades works.

Variation orders

Our customers may, in the course of project execution, place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii) changes to any sequence, method or timing of construction specified in the original contract. We will discuss with our customers to mutually agree on the sum of variation orders which may be added to or deducted from the contract sum mainly with respect to rate of works as set out in the original contract. We are usually notified of a variation order from our customer setting out the detailed works to be carried out as a result of such variation order. Upon receiving any variation order, our quantity surveyors would submit quotations for such variation order and discuss the quotations with our customers.

Monitoring and quality inspection

Our site foremen would prepare the progress records and pass to quantity surveyors for review from time to time. Our site agents monitor work progress from time to time. In general, we hold progress meeting with our customers on a weekly basis throughout the project to keep our customers informed of our projects status and any major issues identified during project execution.

Our site agents, site foremen and the project team are responsible for overall supervision of overall workforce on site to monitor the quality and ensure the projects are executed in accordance with our quality standards. Our site foremen are required to prepare monthly progress records on the works performed by our subcontractors. Such monthly progress records are passed to our quantity surveyors for review. Our site agents also monitor work progress and supervise workmanship and quality. Our work progress is also inspected by our quantity surveyors before we prepare payment applications to our customers.

Customer inspection and application for progress payment

In addition to our quality inspection as described above, our customers or their representatives also inspect our works done from time to time in order to monitor our work quality and confirm completion of the relevant works done before our interim payment applications are certified. Upon completion of such inspection, our customers may issue a report specifying defects that need to be rectified by us (if any).

We are entitled to receive progress payments from our customers. Our quantity surveyors progress prepare payment applications of our contracts and variation orders based on the completion progress. After reviewing and approving by our executive Directors, we usually make progress payment application on a bi-weekly or monthly basis. Based on the works performed by us in the preceding month, we submit to our customers progress payment applications which generally include details of completed works, the actual quantities of our work done and variation orders (if any) on a bi-weekly or monthly basis.

Once our customers approve our payment applications, the progress payment will normally be paid to us within 17 to 60 days. Our customers usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money depending on each customer's requirement. Our major customer, Sanfield, usually retains nil to 3% of the contract sum as retention money. In general, half of the retention money is released to us upon completion of a project and the remaining half of the retention money will be released to us upon expiration of the defects liability period of a project.

Project completion

A contract is normally regarded as practically completed when our customers approves the payment application for the whole project as prepared by our quantity surveyors. Once our customers have verified the completion of the entire project, our customers will pay the relevant progress payment and will generally release half of the retention money to us.

Our Directors consider that it generally takes approximately six to 24 months for us to reach an agreement on the final account with its customers after substantial completion of the project.

Defects liability period

Our customers normally require a defects liability period, during which we are responsible for rectifying defects or imperfections in relation to our works done which are discovered after completion. The defects liability period typically last for a period of 12 months after completion. Upon expiration of the defects liability period, our quantity surveyors apply for payment of the remaining retention money. The remaining retention money (usually 50% of the total retention money) will be released to us by our customers.

CUSTOMERS

Characteristics of our customers

During the Track Record Period, our customers include main contractors and subcontractors of various types of building construction projects in Hong Kong.

The following table sets forth a breakdown of the revenue by our customers' role (i.e. main contractors and sub-contractors) during the Track Record Period:

							For the three months ended 31 March			
	FY2016		FY2017		FY2018		2018		2019	
							(Unaudited)			
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Main contractors	151,978	100.0	175,053	71.4	292,976	67.8	73,410	80.4	99,684	71.5
Subcontractors	—	—	69,981	28.6	138,843	32.2	17,850	19.6	39,725	28.5
	151,978	100.0	245,034	100.0	431,819	100.0	91,260	100.0	139,409	100.0

For information regarding our customers in respect of each of our projects undertaken during the Track Record Period, please refer to the paragraph headed "Our Projects" in this section.

Major customers

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total revenue from Sanfield amounted to approximately 62.5%, 47.3%, 42.1% and 40.2% of our total revenue, respectively, while the percentage of our revenue from our five largest customers combined amounted to approximately 97.5%, 90.4%, 90.9% and 97.9% of our total revenue, respectively.

Set out below is a breakdown of our revenue derived from our five largest customers during the Track Record Period and their respective background information:

For the three months ended 31 March 2019

Rank	Customer	Business relationship since	Typical credit terms	Payment method	Revenue recognised during the year	
					HK$'000	*%*
1	Sanfield (Note 1)	1994	17 days	By cheque or by bank transfer	55,981	40.2
2	Customer B (Note 2)	2011	35-42 days	By cheque	39,726	28.5
3	Customer C (Note 3)	2002	35 days	By bank transfer	26,956	19.3
4	E Man group (Note 10)	1990	30-45 days	By bank transfer	9,217	6.6
5	Paul Y. Builders Limited (Note 5)	2018	30 days	By cheque	4,541	3.3
	Five largest customers combined				136,421	97.9
	All other customers				2,988	2.1
	Total revenue				139,409	100.0

FY2018

Rank	Customer	Business relationship since	Typical credit terms	Payment method	Revenue recognised during the year HK$'000	%
1	Sanfield *(Note 1)*	1994	17 days	By cheque or by bank transfer	181,738	42.1
2	Customer B *(Note 2)*	2011	35-42 days	By cheque	108,959	25.2
3	Customer C *(Note 3)*	2002	35 days	By bank transfer	45,460	10.6
4	Customer D *(Note 4)*	2013	30 days	By cheque	29,885	6.9
5	Paul Y. Builders Limited *(Note 5)*	2018	30 days	By cheque	26,407	6.1
	Five largest customers combined				392,449	90.9
	All other customers				39,370	9.1
	Total revenue				431,819	100.0

FY2017

Rank	Customer	Business relationship since	Typical credit terms	Payment method	Revenue recognised during the year	
					HK$'000	*%*
1	Sanfield *(Note 1)*	1994	17 days	By cheque or by bank transfer	115,908	47.3
2	Customer D *(Note 4)*	2013	30 days	By cheque	42,815	17.5
3	Customer B *(Note 2)*	2011	35-42 days	By cheque	27,166	11.1
4	Customer F *(Note 6)*	2007	30 days	By cheque	25,543	10.4
5	Sunnic Engineering Limited *(Note 7)*	2016	30 days	By cheque	10,141	4.1
	Five largest customers combined				221,573	90.4
	All other customers				23,461	9.6
	Total revenue				245,034	100.0

FY2016

Rank	Customer	Year(s) of business relationship	Typical credit terms	Payment method	Revenue recognised during the year	
					HK$'000	*%*
1	Sanfield (Note 1)	1994	17 days	By cheque or by bank transfer	94,923	62.5
2	Customer F (Note 6)	2007	30 days	By cheque	24,190	15.9
3	Customer H (Note 8)	2014	21 days	By cheque	16,909	11.1
4	Customer I (Note 9)	2016	35 days	By cheque	7,766	5.1
5	Sunnic Engineering Limited (Note 7)	2016	30 days	By cheque	4,353	2.9
	Five largest customers combined				148,141	97.5
	All other customers				3,837	2.5
	Total revenue				151,978	100.0

Notes:

1. Sanfield is a wholly-owned subsidiary of a company listed on the Stock Exchange. The principal activities of such listed company include property development and investment. According to information publicly available, the recorded revenue of such listed company was over HK$80 billion for the year ended 30 June 2018. Our Group has been conducting business with Sanfield and its affiliated company since 1994.

2. Customer B includes (i) an indirect wholly-owned subsidiary of a company listed on the Stock Exchange. Such listed company is mainly engaged in the provision of construction works, of which, according to information publicly available, the recorded revenue of such listed company was over HK$800 million for the year ended 31 March 2019 and (ii) a company related to such listed company set out in (i). We generated revenue of approximately HK$27.2 million, HK$109.0 million and HK$39.7 million from Customer B in FY2017, FY2018 and the three months ended 31 March 2019. The projects commissioned by Customer B include projects P19, P23, P30, P46 and P47. Please refer to the table disclosed in paragraph headed "Our projects — 'Completed projects' and 'Projects on hand'" in this section for details of the size and nature of these projects.

3. Customer C is jointly owned by (i) a company listed overseas, of which the principal activities of such listed company include, among other things, property investment and development, engineering and construction, with a recorded revenue of over US$40 billion for the year ended 31 December 2018 and (ii) a company listed overseas, of which the principal activities of such listed company include, among other things, provision of construction services and infrastructure investment, with a recorded revenue of over GBP£6 billion for the year ended 31 December 2018.

4. Customer D is a private company in Hong Kong established in 1999, which engages in construction services.

5. Paul Y. Builders Limited is a subsidiary of a company listed on the Stock Exchange. The principal activities of such listed company include, among other things, the provision of construction services. According to information publicly available, the recorded revenue of such listed company was over HK$6 billion for the year ended 31 March 2018.

6. Customer F is a private company in Hong Kong established in 1970, which engages in among other things, residential, industrial and hotel construction projects.

7. Sunnic Engineering Limited is an indirect wholly-owned subsidiary of a company listed on the Stock Exchange. The principal activities of such listed company include, among other things, engaging in foundation and superstructure construction business and property development businesses. According to information publicly available, the recorded revenue of such listed company was over HK$7 billion for the year ended 31 December 2018.

8. Customer H includes (i) New World Construction Company Limited, which is wholly-owned subsidiary of a company listed on the Stock Exchange, such listed company is an investment holding company. According to information publicly available, the recorded revenue of such listed company was over HK$30 billion for the year ended 30 June 2018, and (ii) a related company of New World Construction Company Limited.

9. Customer I is a joint venture of a company listed in Hong Kong, which is principally engaged in construction. According to information publicly available, the recorded revenue of such listed company was over HK$6 billion for the year ended 31 December 2018.

10. E Man group includes E Man Construction Company Limited and three of its subsidiaries. E Man Construction Company Limited is also a subsidiary of a company listed on the Stock Exchange. The principal activities of such listed company includes property development and property investment. According to information publicly available, the recorded revenue of such listed company was over HK$21 billion for the year ended 31 December 2018.

11. Our agreements with our five largest customers during the Track Record Period contained express or implied confidentiality obligation on our Group. Up to the Latest Practicable Date, we have only obtained consent from certain customers. As advised by the Legal Counsel, the disclosure of their identities may result in a breach of such confidentiality obligations save where consent for such disclosure has been obtained from the respective customers. Accordingly, we have only disclosed the identities of customers from which we have obtained written consent.

All of our five largest customers are independent third parties and none of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

Relationship with property developers in Hong Kong

During the Track Record Period and up to the Latest Practicable Date, we had undertaken wet trades works for properties developed by four out of the top five property developers in Hong Kong in terms of number of property completion according to the Industry Report. Out of the 16 projects on hand as at the Latest Practicable Date, eight projects were properties developed by such four out of the top five property developers in Hong Kong. The ending contract value on hand of these eight projects was approximately HK$260.2 million as at the Latest Practicable Date. The following table sets forth the amount and percentage of revenue derived from undertaking wet trades works for properties developed by four of the top five property developers in Hong Kong during the Track Record Period and from 1 April 2019 to the Latest Practicable Date:

	FY2016		FY2017		FY2018		For the three months ended 31 March 2019		From 1 April 2019 to the Latest Practicable Date	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue derived from properties developed by four of the top five property developers	115,654	76.1	135,124	55.1	235,969	54.6	70,708	50.7	166,483	89.3
Revenue derived from properties developed by other ultimate project owners	36,324	23.9	109,910	44.9	195,850	45.4	68,701	49.3	19,973	10.7
Total revenue	151,978	100.0	245,034	100.0	431,819	100.0	139,409	100.0	186,456	100.0

Relationship with Sanfield

During the Track Record Period, Sanfield, a subsidiary of a reputable company listed on the Stock Exchange, being a major property developer in Hong Kong is our largest customer. The late Mr. Ma Lang Yau, one of our founders, provided wet trades works to an affiliated company of Sanfield since 1982, while our Group has been conducting business with Sanfield and its affiliated company since 1994 for about 25 years. Our Group has been on the approved subcontractor list of Sanfield or such affiliated company since 1994. In addition, we are one of the three largest subcontractors engaged by Sanfield for wet trades works according to the Industry Report. Our revenue from Sanfield was approximately HK$94.9 million, HK$115.9 million, HK$181.7 million and HK$56.0 million, which accounted for approximately 62.5%, 47.3%, 42.1% and 40.2%, respectively, for FY2016, FY2017, FY2018 and the three months ended 31 March 2019. Please refer to the section headed "Risk factors — We generate a significant portion of our revenue from our five largest customers, in particular, Sanfield and any decrease or loss of business from our five largest customers could adversely and substantially affect our operations and financial condition" in this prospectus for further details.

We consider that it is commercially beneficial for both Sanfield and us to maintain a close and long-term business relationship with each other. During our long-term course of dealings with Sanfield, we have offered continuous wet trades works services to Sanfield as a valued business partner. We received numerous awards from members of the parent group of Sanfield such as awards in relation to residential development projects in Tseung Kwan O and Yuen Long. We believe both of us have developed, to a certain degree, a business relationship that is commercially beneficial to both of us in terms of costs effectiveness and service quality.

Alongside with maintaining long-term business relationship with Sanfield, we have from time to time identify and take on new customers. As a result of our diversification of customer base, the revenue generated from our other customers had increased from approximately HK$57.1 million for FY2016 to HK$129.1 million for FY2017 and to HK$250.1 million for FY2018, while the revenue generated from other customers amounted to approximately HK$83.4 million for the three months ended 31 March 2019, which represented approximately 37.5%, 52.7%, 57.9% and 59.8% of our revenue during the respective years/period. Our Directors are of the view that the construction industry is fragmented and therefore, offer enormous opportunities to us to expand our business penetration.

Based on the above, our Directors are of the view that notwithstanding over 40% of our revenue were derived from Sanfield for each of the three years of the Track Record Period, our Group has not unduly relied on Sanfield and our long-term business relationship with Sanfield does not affect our business sustainability nor suitability for the Listing.

Our Directors consider and the Sole Sponsor agrees that our Group's relationship with Sanfield is unlikely to be materially adversely changed or terminated taking into account (i) our long-established relationship with Sanfield; (ii) our good business track record with Sanfield; and (iii) the commercial benefits to maintain the business relationship.

Our Directors considered that it is of strategic importance for wet trades subcontractors (including our Group) to maintain a stable and close relationship with a few reputable main contractors. In the meantime, we experienced a strong demand for our services from customers during the Track Record Period as evidenced by a large number of tender invitations that we received from customers during the Track Record Period. Please refer to the paragraph headed "Operation flow — Tender analysis and preparation of tenders — Our tender success rate" in this section for further details. We have long-term business relationships with our five largest customers during the Track Record Period for periods ranging from one to 29 years and we will therefore endeavour to accommodate their demands for our services to the extent our available working capital and manpower resources allow in order to capture more opportunities for wet trades projects in the future.

Marketing activities

We do not rely heavily on marketing and promotional activities. During the Track Record Period, we secured new businesses mainly through tender by invitation. Our Directors consider that due to our proven track record and our well-established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in wet trades projects. In particular, we have long-standing and stable strategic business relationship with Sanfield, a subsidiary of a reputable company listed on the Stock Exchange, being a major property developer in Hong Kong. According to the Industry Report, the parent group of Sanfield is famous for its high quality property developments and stringent requirements of subcontractor selection. Our Group, being one of the major subcontractors of Sanfield for wet trades works, is known for our good quality works in the industry. Please refer to "Competitive Strengths — We have long-established business relationship with Sanfield" in this section for details of sizable projects engaged by new customers during the Track Record Period.

We do not maintain a specialised team of sales and marketing staff. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the construction industry as well as the general public and hence, further enhancing our brand and future business development.

Pricing strategy

Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to the following factors:

- the estimated number and types of workers required;
- the difficulties and methodology of the project;
- the availability of our manpower resources;
- the track record of business relationship with the customers;

- the reputation of the customers;
- the estimated number and types of machines required;
- the payment terms and financial strength of the customers;
- the completion time requested by customers;
- the responsible party for purchasing raw materials;
- accessibility to the work site and the vicinity;
- the likelihood of any significant fluctuation of the actual cost from our estimated cost having regard to the types and amount of labour, machinery, materials and other resources involved in our cost estimation; and
- the prevailing market conditions in general.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

Major terms of engagement with our customers

Our customers engage us on a project-by-project basis and our customers do not enter into long-term agreements with us. The following summarises the major terms of engagement with our customers:

Contract sum	:	The contract sum of our contracts is either a fixed fee or a provisional fee subject to remeasurement. For the fixed fee contract, we undertake to carry out a defined scope of works in return for an agreed contract price. For the provisional fee contract subject to remeasurement, we are provided with a schedule showing the rates, types and provisional quantities of works to be performed by us and the final contract sum is subject to remeasurement upon completion of the work. For both kinds of contracts, the contract price may be adjusted due to variation orders pursuant to the terms of the relevant contract.
Contract period	:	The period within which the project is expected to be completed commencing from the date of award. The contract period varies depending on the project size and complexity. However, such period may be extended pursuant to the terms of the relevant contract.
Scope of works	:	This term identifies the types and scope of works in details which we are engaged to perform under the contracts. For details, please refer to paragraph headed "Our Services" in this section.
Payment terms	:	For progress payment, we generally provide our customers with a payment application on a bi-weekly or monthly basis. For details, please refer to the paragraphs headed "Operation flow — Customer inspection and application for progress payment" and "Operation flow — Project completion" in this section.
Procurement of raw materials	:	Raw materials may be procured by ourselves or provided by our customers in accordance with the terms of contracts. It is not uncommon in the construction industry that a main contractor may pay on a subcontractor's behalf for raw material costs. Please refer to the section headed "Suppliers and subcontractors — Contra charge arrangement with our major customers who are also our suppliers" in this prospectus for details.

Retention money	:	Our customers may hold up a certain percentage of each interim payment made to us as retention money. Such percentage is generally 5% to 10%, subject to a ceiling up to 5% of the total contract sum of a project. Our major customer, Sanfield, usually retain nil to 3% of the contract sum as retention money. 50% of the retention money withheld are normally released to us upon completion and the remaining 50% is released to us upon expiry of the defect liability period. As at 31 December 2016, 2017, 2018 and 31 March 2019, our retention receivables amounted to approximately HK$7.1 million, HK$10.0 million, HK$22.2 million and HK$22.9 million, respectively. Please refer to the section headed "Financial Information — Discussion of selected statement of financial position items — Contract assets/ liabilities — Retention receivables" in this prospectus for a further discussion and analysis regarding our trade and other receivables.
Liquidated damages	:	A contract may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works subcontracted to us. However, under certain circumstances, such as poor weather conditions or the issuance of variation orders, our customers may grant us a time extension without a need to pay liquidated damages to our customers. During the Track Record Period and up to the Latest Practicable Date, no liquidated damages had been claimed by our customers against us by reason of late completion of any of the contracts undertaken by us.
Indemnities	:	For most of our contracts, we are required to indemnify our customers against (a) all losses, liabilities, claims, damages, costs, charges and expenses which may arise out of or in connection with any breach of the subcontract, negligence, non-compliance of any laws and regulations, omission on the part of our Group, our employees, our subcontractors, our subcontractors' employees or any persons in connection with us or (b) any loss, liabilities, claims, damages, costs, charges and expenses resulting from any bodily injuries, death or occupational diseases of our employees, our subcontractors, our subcontractors' employees or any persons in connection with us (to the extent that is not covered by insurance). Our Directors confirm that we had not experienced any material claims by our customers during the Track Record Period and up to the Latest Practicable Date.

Termination :	If, in the opinion of our customers, we fail to execute the works in accordance with our customers' requirements and our works are unsatisfactory or likely to be so and cause undue delay to the overall progress of the project, our customers may terminate our contract by giving advance notice of intention of doing so. During the Track Record Period and up to the Latest Practicable Date, we did not experience any early termination of contracts by our customers.
Defects liability period :	We are generally subject to a defects liability period and we are responsible for rectifying all defective works, if any, at our own expense during such period. The defects liability period, which is generally 12 months depending on the nature and scale of the project, commences upon the date of practical completion of the contract. If any defects or imperfections are identified, we will undertake rectification works so that the defects can be remedied as soon as practicable. We will then arrange our subcontractors to execute the rectification works at our own costs or, where applicable, require the relevant subcontractor to rectify the defects and/or bear the rectification costs. During the Track Record Period, we did not experience any material claim by our customers arising from defective works.

Credit management and collection of our trade receivables and retention receivables

Our Group does not have a standardised and universal credit period granted to our customers, and the credit period of individual customer is considered on a case-by-case basis. The typical credit terms stipulated in the contracts during the Track Record Period were 17 to 60 days from the date of payment application. Our trade receivables is normally settled by cheque or autopay in Hong Kong dollars. We determine specific provision for doubtful debts relating to accounts receivables on a case-by-case basis and provision is made when there is objective evidence that our Group will not be able to collect part or all of the outstanding debts.

As at 31 December 2016, 2017, 2018 and 31 March 2019, we recorded trade receivables of approximately HK$12.6 million, HK$23.8 million, HK$31.2 million and HK$26.8 million, respectively. Up to the Latest Practicable Date, all of our trade receivables as at 31 December 2018 had been settled. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our trade receivables turnover days were approximately 32.4 days, 27.1 days, 23.2 days and 18.7 days, respectively.

In order to mitigate our risks in relation to the collectability of our trade receivables and retention receivables, we have implemented the following measures:

- before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers and the key project terms in relation to the project's execution. Customer acceptance procedures are performed on our customers, including but not limited to (i) checking our internal record regarding the payment history of the existing customer; and (ii) for sizeable projects, depending on the situation and conducting appropriate searches to ascertain the potential customer's credibility.

- we closely monitor the payments from our customers pursuant to the terms of each respective project. Regular meetings are held among our executive Directors, project teams and finance department to review the aging status of our trade receivable and retention receivables. Material overdue payments are monitored continuously and evaluated on a case-by-case basis and appropriate follow-up actions will be taken having regard to the customer's normal payment processing procedures, our business relationship with the customer, past reputation, its financial position as well as the general economic environment.

- follow-up actions generally include but not limited to issuing payment reminders, actively liaising with customers, and, if necessary, taking legal actions. We review the recoverable amount of each individual receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts.

Please also refer to the section headed "Financial Information — Discussion of selected statement of financial position items — Trade receivables" in this prospectus for a further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality.

SUPPLIERS AND SUBCONTRACTORS

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

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting fee	120,939	94.8	198,113	94.3	351,054	96.2	75,270	97.2	111,413	95.6
Materials and toolings	4,345	3.4	10,719	5.1	12,820	3.5	2,088	2.7	4,456	3.8
Other purchases (Note)	2,286	1.8	1,364	0.6	906	0.3	112	0.1	645	0.6
Total purchases:	127,470	100	210,196	100	364,780	100	77,470	100.0	116,514	100.0

Note: Other purchases mainly include rental of machinery and equipment, repair and maintenance, safety consultancy fee and transportation cost.

During the Track Record Period, our suppliers and subcontractors were located in Hong Kong and all our purchases are denominated in HK$.

Suppliers

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) suppliers of construction materials and toolings; (ii) machinery and equipment rental service providers; and (iii) suppliers of safety consultancy services, repair and maintenance services and transportation.

We generally order the relevant construction materials and services on a project-by-project basis. We therefore do not enter into any long-term supply agreements with our suppliers. Our Directors believe that we have maintained good business relationships with our suppliers. As at the Latest Practicable Date, there were over 20 suppliers in our approved list of suppliers. We select our suppliers from our approved list based on their prices, quality, past performances and timeliness of delivery. Our suppliers of construction materials normally grant us a credit period of not more than 30 days from the invoice date.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects caused by material shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers of the same kind in the market, save for the supply of river sand and aggregates, and the supply of plaster spray machine rental service. Please refer to the section headed "Risk Factors — Rising costs and limited supply of raw materials may increase our costs and affect our performance" in this prospectus for further details.

Prices of supplies 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, including but not limited to the future price trend of the materials and services when preparing tender proposals and hence we could generally pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and services that had a material impact on our business, financial condition or results of operations.

Subcontractors

We pride ourselves in our project management capability and we subcontract different types of works to different subcontractors, while maintaining overall project management and implementation. Our subcontractors generally do not assume the responsibility of purchasing materials and toolings required for the wet trades projects. We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractors for a project.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, we incurred subcontracting fees of approximately HK$120.9 million, HK$198.1 million, HK$351.1 million and HK$111.4 million, respectively. Please refer to the section headed "Financial Information — Key factors affecting our results of operations and financial conditions — Fluctuation in our subcontracting fees" in this prospectus for the relevant sensitivity analysis.

Reasons for subcontracting arrangement

According to the Industry Report, subcontracting arrangement is a usual practice in the Hong Kong construction industry. As the entire process of a wet trades project involves different types of works, it may not be cost effective for us to directly undertake all types of the works involved. Our Directors consider that such subcontracting arrangement is in the interest of our Group because it allows us to (i) select from a pool of subcontractors and third-party professional with different skill sets that suit the requirements of different projects without the need to retain all of them as our employees; (ii) focus on the project management and supervision functions; and (iii) deploy our resources in a more cost-effective manner and without the need to maintain a large pool of full time staff.

Basis of selection of subcontractors

Our subcontractors include individuals and incorporated companies which generally have the available skills and/or manpower to perform the subcontracting works. We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors such as their background, technical capability, experience, service quality, track records, labour resources, time schedule to be performed by the subcontractors, reputation and safety performance. Based on these factors, we select and maintain a list of approved subcontractors and such list is updated according to our assessment of their performance on a continuous basis.

Key terms of our subcontracting arrangements with our subcontractors

We engage our subcontractors on a project-by-project basis and do not enter into long-term agreements with subcontractors. The following summarises the key arrangements with our subcontractors:

Contract period :	There is no specific term regarding the duration of the subcontracting agreements. The subcontractors are obligated to perform the subcontracting works with reference to the contract term of the main contract between us and our customers.
Subcontracting fees :	The subcontracting fee to be received by the subcontractor is subject to re-measurement according to the schedule of rates included in the subcontract and further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, we determine the amount of subcontracting fees based on (i) the amount of labour resources required from our subcontractors; (ii) the nature of works to be performed by our subcontractors; and (iii) the prevailing market conditions.
Safety :	The subcontractor shall comply with the provision of statutory safety regulations relating to carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses incurred as a result of the subcontractors' non-compliance with the safety laws and regulations.
Environment :	The subcontractor shall comply with the provision of statutory environment protection regulations relating to carrying out of the subcontracting works. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses incurred as a result of the subcontractors' non-compliance with the environmental laws and regulations.
Quality :	The subcontractor shall complete the subcontracting works with good quality in accordance with our quality standard and the customers' requirements.
Illegal worker :	The subcontractor shall comply with the provision of statutory employment laws and regulations relating to the recruitment of workers for the subcontracting works. The subcontractor is obligated to ensure the valid identity of its workers and bear the full liability for hiring any illegal workers.

Control over subcontractors

We may be liable to our customers for the performance of our subcontractors and we may also be liable to any potential employee compensation claims and personal injuries claims made by our subcontractors' employees arising from work injuries that may happen from time to time. Therefore, we carry out regular assessment of our subcontractors during the course of a project to ensure quality and safety of their works. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. Our site agents, site foremen and safety supervisors conduct regular site inspection to ensure general compliance by our subcontractors in quality, safety and environmental requirements. During project implementation, regular meetings with our subcontractors are held in order to closely monitor their work progress and performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Environmental protection" in this section.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that there were no material disputes between our Group and our customers with respect to the quality of work performed by us and our subcontractors and we do not have any material dispute or claim with our subcontractors and our suppliers.

Designated Workers for Designated Skills Provision

On 1 April 2017, the "designated workers for designated skills" provision under the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking the construction works of the designated trade divisions unless they are registered skilled or semi-skilled workers for the relevant trade division or under the instruction and supervision of the relevant skilled or semi-skilled workers. Please refer to the section headed "Regulatory Overview — A. Labour, Health and Safety" in this prospectus for further details. Our Group will ensure that our subcontractors and their employees will be registered under the required trade divisions for the wet trades projects undertaken by us.

Major suppliers

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total purchases (excluding subcontracting fees) incurred from our largest supplier amounted to approximately, 19.6%, 32.2%, 41.3% and 21.5% of our total purchases (excluding subcontracting fees) incurred from our suppliers, respectively, while the percentage of our total purchases (excluding subcontracting fees) incurred from our five largest suppliers together amounted to approximately 59.1%, 71.2%, 73.7% and 65.6% of our total purchases (excluding subcontracting fees) incurred from our suppliers, respectively. During the Track Record Period, our suppliers were located in Hong Kong and our purchases are denominated in HK$.

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

For the three months ended 31 March 2019

Rank	Supplier	Type of services/products	Business relationship since	Credit term	Payment method	Purchases amount for the year	
						HK$'000	*%*
1	Supplier C *(Note 3)*	Mortar and plaster	2007	30 days	By cheque	1,096	21.5
2	Supplier B *(Note 2)*	Materials and toolings	2014	60 days	By cheque	805	15.8
3	Supplier H *(Note 8)*	Equipment and toolings	2003	30 days	By cheque	515	10.1
4	Supplier I *(Note 9)*	Construction materials	2014	30 days	By cheque	498	9.8
5	Supplier E *(Note 5)*	Purchase and rental services of plaster spray machines	2007	30-90 days	By cheque	428	8.4
	Five largest suppliers (excluding subcontractors) combined					3,342	65.6
	All other suppliers (excluding subcontractors)					1,759	34.4
	Total (excluding subcontractors)					5,101	100.0

FY2018

Rank	Supplier	Type of services/products	Business relationship since	Credit term	Payment method	Purchases amount for the year	
						HK$'000	*%*
1	Customer B (Note 1)	Materials, rental of machine, repair and maintenance, and transportation	2011	35-42 days	By cheque	5,664	41.3
2	Supplier B (Note 2)	Materials and toolings	2014	60 days	By cheque	1,511	11.0
3	Supplier C (Note 3)	Mortar and plaster	2007	30 days	By cheque	1,280	9.3
4	Customer D (Note 4)	Materials, repair and maintenance, and transportation	2013	30 days	By cheque	921	6.7
5	Supplier E (Note 5)	Purchase and rental services of plaster spray machines	2007	30-90 days	By cheque	745	5.4
	Five largest suppliers (excluding subcontractors) combined					10,121	73.7
	All other suppliers (excluding subcontractors)					3,605	26.3
	Total (excluding subcontractors)					13,726	100.0

FY2017

Rank	Supplier	Type of services/products	Business relationship since	Credit term	Payment method	Purchases amount for the year	
						HK$'000	*%*
1	Customer D (Note 4)	Repaid and maintenance and transportation	2013	30 days	By cheque	3,893	32.2
2	Supplier C (Note 3)	Mortar and plaster	2007	30 days	By cheque	1,742	14.4
3	Supplier B	Materials and toolings	2014	60 days	By cheque	1,102	9.1
4	Customer B (Note 1)	Materials, rental of machine, repair and maintenance and transportation	2011	35-42 days	By cheque	990	8.2
5	Supplier E (Note 5)	Purchase and rental services of plaster spray machines	2007	30-90 days	By cheque	881	7.3
	Five largest suppliers (excluding subcontractors) combined					8,608	71.2
	All other suppliers (excluding subcontractors)					3,475	28.8
	Total (excluding subcontractors)					12,083	100.0

FY2016

Rank	Supplier	Type of services/products	Business relationship since	Credit term	Payment method	Purchases amount for the year	
						HK$'000	*%*
1	Supplier F (Note 6)	Tile adhesive	2016	0 days	By cheque	1,301	19.6
2	Supplier C (Note 3)	Mortar and plaster	2007	30 days	By cheque	880	13.3
3	Supplier B (Note 2)	Materials and toolings	2014	60 days	By cheque	596	9.0
4	Supplier G (Note 7)	Portland cement and plaster	2007	30 days	By cheque	575	8.7
5	Supplier H (Note 8)	Equipment and toolings	2003	30 days	By cheque	568	8.5
	Five largest suppliers (excluding subcontractors) combined					3,920	59.1
	All other suppliers (excluding subcontractors)					2,711	40.9
	Total (excluding subcontractors)					6,631	100.0

Notes

1. Customer B includes a related company of a company listed on the Stock Exchange. Such listed company is mainly engaged in the provision of construction works, of which, according to information publicly available, the recorded revenue of such listed company was over HK$800 million for the year ended 31 March 2019. Due to the contra charge arrangement, Customer B is considered as our supplier. For details of the contra charge arrangement, please refer to the paragraph headed "Suppliers and subcontractors — Contra charge arrangement with our major customers who are also our suppliers" in this section.

2. Supplier B is a partnership in Hong Kong established in 2014, which engages in trading. Subcontractor E is one of the partners of Supplier B.

3. Supplier C includes (i) a private company in Hong Kong established in 1997, which engages in trading construction materials and (ii) its wholly-owned subsidiary which is a private company in Hong Kong established in 1997, which engages in trading construction materials.

4. Customer D is a private company in Hong Kong established in 1999, which engages in construction services. Due to the contra charge arrangement, Customer D is considered as our supplier. For details of the contra charge arrangement, please refer to the paragraph headed "Suppliers and subcontractors — Contra charge arrangement with our major customers who are also our suppliers" in this section.

5. Supplier E is a private company in Hong Kong established in 2002, which engages in, among other things, rental and sales of machinery and trading of building materials.

6. Supplier F is a private company in Hong Kong established in 2002, which engages in trading construction materials.

7. Supplier G includes (i) a private company in Hong Kong established in 1982, which engages in the trading of materials and (ii) a private company in Hong Kong established in 1999, which engages in the manufacturing and trading of construction materials.

8. Supplier H is a private company in Hong Kong established in 2003, which engages in the provision of equipment and toolings.

9. Supplier I is a sole proprietorship, which engages in the provision of construction material.

10. Our agreements with our five largest suppliers during the Track Record Period contained implied confidentiality obligation on our Group. Up to the Latest Practicable Date, we have not obtained consent from such suppliers. As advised by the Legal Counsel, the disclosure of their identities may result in a breach of such confidentiality obligations save where consent for such disclosure has been obtained from the respective suppliers. Accordingly, we have not disclosed the identities of such suppliers.

Major Subcontractors

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the percentage of our total subcontracting fees incurred from our largest subcontractor amounted to approximately 10.9%, 8.7%, 12.8% and 25.7% of our total subcontracting fees incurred from our subcontractors, respectively while the percentage of our total subcontracting fees incurred from our five largest subcontractors together amounted to approximately 26.6%, 23.0%, 21.1% and 40.4% of our total subcontracting fees incurred from our subcontractors, respectively.

Set out below is a breakdown of our total subcontracting fees incurred by our five largest subcontractors during the Track Record Period and their respective background information:

For the three months ended 31 March 2019

Rank	Subcontractor	Type of services	Business relationship since	Credit term (Note 5)	Payment method	Subcontracting fees for the year	
						HK$'000	*%*
1	Subcontractor A (Note 1)	Tile laying works, brick laying works, plastering works, floor screeding works and marble works	2016	14 days	By autopay or cheque	28,648	25.7
2	Subcontractor C (Note 3)	Tile laying works, brick laying works, plastering works, floor screeding works and marble works	2017	14 days	By autopay or cheque	7,458	6.7
3	Subcontractor E (Note 4)	Plastering works	2010	14 days	By autopay or cheque	3,399	3.1
4	Subcontractor K (Note 2)	Plastering works	2013	14 days	By autopay or cheque	2,922	2.6
5	Subcontractor F (Note 2)	Brick laying works	2007	14 days	By autopay or cheque	2,519	2.3
	Five largest subcontractors combined					44,946	40.4
	All other subcontractors					66,467	59.6
	Total subcontracting fees					111,413	100.0

FY2018

Rank	Subcontractor	Type of services	Business relationship since	Credit term (Note 5)	Payment method	Subcontracting fees for the year HK$'000	%
1	Subcontractor A (Note 1)	Tile laying works, brick laying works, plastering works, floor screeding works and marble works	2016	14 days	By autopay or cheque	44,904	12.8
2	Subcontractor B (Note 2)	Plastering works	2008	14 days	By autopay or cheque	9,290	2.6
3	Subcontractor C (Note 3)	Tile laying works, brick laying works, plastering works, floor screeding works and marble works	2017	14 days	By autopay or cheque	7,775	2.2
4	Subcontractor D (Note 2)	Plastering works	2015	14 days	By autopay or cheque	6,209	1.8
5	Subcontractor E (Note 4)	Plastering works	2010	14 days	By autopay or cheque	6,054	1.7
	Five largest subcontractors combined					74,232	21.1
	All other subcontractors					276,822	78.9
	Total subcontracting fees					351,054	100.0

FY2017

Rank	Subcontractor	Type of services	Business relationship since	Credit term (Note 5)	Payment method	Subcontracting fees for the year HK$'000	%
1	Subcontractor A (Note 1)	Tile laying works, brick laying works, plastering works, floor screeding works and marble works	2016	14 days	By autopay or cheque	17,265	8.7
2	Subcontractor F (Note 2)	Brick laying works	2007	14 days	By autopay or cheque	9,223	4.7
3	Subcontractor B (Note 2)	Plastering works	2008	14 days	By autopay or cheque	7,721	3.9
4	Subcontractor G (Note 2)	Plastering works	2005	14 days	By autopay or cheque	5,676	2.9
5	Subcontractor H (Note 4)	Plastering works	2011	14 days	By autopay or cheque	5,602	2.8
	Five largest subcontractors combined					45,487	23.0
	All other subcontractors					152,626	77.0
	Total subcontracting fees					198,113	100.0

FY2016

Rank	Subcontractor	Type of services	Business relationship since	Credit term (Note 5)	Payment method	Subcontracting fees for the year HK$'000	%
1	Subcontractor A (Note 1)	Tile laying works, brick laying works, plastering works, floor screeding works and marble works	2016	14 days	By autopay or cheque	13,187	10.9
2	Subcontractor B (Note 2)	Plastering works	2008	14 days	By autopay or cheque	5,244	4.3
3	Subcontractor I (Note 2)	Tile laying works	2010	14 days	By autopay or cheque	4,914	4.1
4	Subcontractor G (Note 2)	Plastering works	2005	14 days	By autopay or cheque	4,509	3.7
5	Subcontractor J (Note 2)	On-site logistic service	2003	14 days	By autopay or cheque	4,342	3.6
	Five largest subcontractors combined					32,196	26.6
	All other subcontractors					88,743	73.4
	Total subcontracting fees					120,939	100.0

Notes:

1. Subcontractor A is private company in Hong Kong established in 2012, which engages in, among other things, engineering projects in relation to wet trades.

2. Subcontractor B, Subcontractor D, Subcontractor F, Subcontractor G, Subcontractor H, Subcontractor I, Subcontractor J and Subcontractor K are individuals.

3. Subcontractor C is a private company in Hong Kong established in 2017, which engages in the provision of wet trades services.

4. Subcontractor E is an individual and one of the partners of Supplier B.

5. We generally pay on behalf of our subcontractors to their workers within seven days from the date of their payment application, and pay the remaining progress payment to our subcontractors within two weeks from the date of their payment application.

6. Our agreements with our five largest subcontractors during the Track Record Period contained implied confidentiality obligation on our Group. Up to the Latest Practicable Date, we have not obtained consent from such subcontractors. As advised by the Legal Counsel, the disclosure of their identities may result in a breach of such confidentiality obligations save where consent for such disclosure has been obtained from the respective subcontractors. Accordingly, we have not disclosed the identities of such subcontractors.

The five largest other suppliers (excluding subcontractors) and five largest subcontractors of our Group are independent third parties. None of our Directors, their close associates, or any Shareholders who to our Directors' knowledge owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest suppliers or the five largest subcontractors of our Group during the Track Record Period.

Contra charge arrangement with our major customers who are also our suppliers

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

During the Track Record Period, our Group had Contra Charge Arrangement with Sanfield, Customer B and Customer D, which our Directors confirmed were conducted on normal commercial terms. The Contra Charge Amount would generally relate to the payments for the purchase of materials as well as other miscellaneous items such as repair and maintenance, rental of machinery and equipment and transportation cost. Pursuant to the Contra Charge Arrangement as agreed with our customers, our customers might procure raw materials from the suppliers or make payments on our behalf, and we settle the amounts via the Contra Charge Arrangement. During the Track Record Period, we had no dispute with Sanfield, Customer B and Customer D as regards to the Contra Charge Arrangement which would have had a material impact on our business, financial condition or results of operations.

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

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

	FY2016		FY2017		FY2018		For the three months ended 31 March 2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Sanfield								
Revenue derived and approximate % of total revenue	94,923	62.5	115,908	47.3	181,738	42.1	55,981	40.2
Contra charge charged by Sanfield and approximate % of total costs of services	—	—	11	0.0	5	0.0	—	—
Customer B								
Revenue derived and approximate % of total revenue	—	—	27,166	11.1	108,959	25.2	39,726	28.5
Contra charge charged by Customer B and approximate % of total costs of services	—	—	990	0.5	5,664	1.5	174	0.1
Customer D								
Revenue derived and approximate % of total revenue	—	—	42,815	17.5	29,885	6.9	—	—
Contra charge charged by Customer D and approximate % of total costs of services	—	—	3,893	1.8	921	0.2	—	—

INVENTORIES

We generally do not maintain any inventories during the Track Record Period as our construction materials and toolings are purchased and consumed on a project-by-project basis as needed.

MACHINERY AND EQUIPMENT

Although our wet trades works are primarily labour intensive, our wet trades works may involve usage of machinery and equipment such as forklift, plaster spray machines and other parts and consumables. According to the Industry Report, for wet trades projects involving plastering works, contractors have increasingly used plaster spray machines to replace manual operations so as to lower labour costs and further enhance their quality of craftsmanship. We either make use of our own machinery and equipment or rent from external machinery and equipment rental service providers. Our site agents are responsible for managing the machinery and equipment for all projects and determining the types of machinery to be used, the time for the usage of machinery and the transportation logistics of machinery.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, we acquired new machinery and equipment in the amount of nil, approximately HK$392,000, approximately HK$1.0 million and approximately HK$441,000, at cost, respectively. As at 31 March 2019, our machinery and equipment carried a net book value of approximately HK$1.6 million.

Set out below are the major types of machinery and equipment used by our Group:

(i) Forklifts

A forklift is a small vehicle with two power-operated prongs at the front that can be slid under heavy loads and then raised for moving and stacking materials in a short distance area.

(i) Plaster spray machines

A plaster spray machine is a machine which enables a plasterer to skim a wall more quickly than using a hand float manually. The main benefit of using a plaster spray machine is to speed up the plastering process. For wet trades projects involving plastering works, we have increasingly used plaster spray machines to replace manual operation so as to lower labour costs and further enhance the quality of our craftsmanship.

Useful life of our machinery and equipment

Our forklifts and plaster spray machines have expected useful life of four years. Out of nine forklifts we owned as at 31 March 2019, two of the forklifts were used over four years. Out of the 19 plaster spray machines we owned as at 31 March 2019, seven of the plaster spray machines were used over four years. The following table sets out the usage information of our forklifts and plaster spray machines which were not used over four years as at 31 March 2019:

Type of machinery and equipment	**Weighted average age**(Note) *(years)*	**Expected useful life** *(years)*
Forklift	0.7	4
Plaster spray machine	0.5	4

Note: Weighted average age is calculated by aggregate age of each type of machinery or equipment divided by total number of respective type of machinery or equipment.

With the possession of our own machinery and equipment, we do not have to rely completely on our suppliers for machinery and equipment rental services. During the Track Record Period, we rented machinery and equipment including forklifts and plaster spray machines. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our machinery and equipment rental cost incurred from transactions with these suppliers amounted to approximately HK$1.4 million, HK$0.7 million, HK$0.7 million and HK$449,000, respectively.

Our Directors also consider that having our own machinery and equipment allows us to devise suitable works schedules tailored to the different needs and requirements of different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower.

Repair and maintenance

Our site agents are responsible for managing the machinery and equipment at the site and performing routine checks to ensure they are functional for project execution purposes. For malfunction machinery and equipment that requires major examination and/or specialised skills, we will send such malfunctioning machinery and equipment to the dealer for repairs if the machinery is still under warranty, or send to other third party repair companies. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our repair and maintenance expenses amounted to HK$13,988, HK$195,129, HK$100,205 and HK$93,821, respectively.

Age and replacement cycle of machinery and equipment

The following table sets out a breakdown of the value of our machinery and equipment by different age groups as at 31 March 2019:

	Number of units of machinery and equipment	Net book value of machinery and equipment *HK$'000*	Original cost of acquisition of machinery and equipment *HK$'000*
Less than 1 year	14	1,333	1,444
1 year to less than 4 years	5	232	550
4 years or above	9	—	964
Total:	28	1,565	2,958

Our Directors consider that as at the Latest Practicable Date, our existing machinery and equipment were in operating conditions in general. We do not have a pre-determined or regular replacement cycle for our machinery. Replacement decisions are made on a case-by-case basis having regard to the operating condition of each unit of machinery and the cost effectiveness of replacing only the malfunctioning parts. We replace aged machinery and equipment when it is imperative to do so with reference to factors such as their operating condition and the cost effectiveness of such replacement. Our Group will continue to evaluate the operating condition, effectiveness and efficiency of our machinery and equipment and assess our need for additional machinery and equipment in view of our business development.

Safekeeping of machinery and equipment

Machinery and equipment that are in use at work sites are kept under the general management of the respective active work sites. As at the Latest Practicable Date, all of our machinery and equipment are put into operation in construction sites and no storage of idle machinery and equipment is required.

Machinery deployment rate

Our major machinery and equipment include forklifts and plaster spray machines. The deployment rate of each of them are set out below:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2019
Forklifts				
Number of available machine days *(days)* *(Note)*	1,344	1,344	1,575	742
Number of deployed machine days	1,344	1,344	1,575	742
Deployment rate of our forklifts	100.0%	100.0%	100.0%	100.0%
Plaster spray machines				
Number of available machine days *(days)* *(Note)*	2,352	2,856	3,892	1,555
Number of deployed machine days	2,310	2,849	3,850	1,555
Deployment rate of our plaster spray machines	98.2%	99.8%	98.9%	100.0%

Note: The number of available machine days is calculated by multiplying the number of the respective machine by the number of days in a year that the machine is expected to operate taken into account date of acquisition of the machine.

Material and toolings

The key construction materials that we purchase for our projects mainly include base plaster, tile adhesive, cement, sand brick and aggregates, while the toolings include personal protective equipment and wet trades works ancillary tools.

QUALITY CONTROL

To maintain consistent quality services for our customers, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. We have in-house quality assurance requirements that conform to the ISO 9001:2015 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of personnel of different levels, tendering process, cost control, quality inspection procedures and standards, subcontracting requirements and accident reporting and complaints and work procedures for operating different types of machinery and equipment. Our subcontractors and their workers are required to follow such procedures.

Mr. Adam Cheung, our executive Director, leads our project team to oversee our quality control function. For the background and industry experience of Mr. Adam Cheung, please refer to the section headed "Directors and Senior Management" in this prospectus.

Quality control on our services

Our executive Directors, with the assistance of our site agents, closely monitor the progress of each project to ensure that our service (i) meets our customer's requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant rules and regulations. In particular, we implement the following quality control measures:

- Our site agents and site foremen assist our executive Directors to monitor overall work quality and project progress, perform on-site inspections and supervise site workers on a daily basis. They will timely inform our quantity surveyors and our executive Directors of the project status and any quality issues arising from project execution.

- We also closely supervise the work quality of our subcontractors. For our quality control measures over our subcontractors, please refer to the paragraph headed "Suppliers — Subcontractors — Control over subcontractors" in this section. Our customers also conduct their own quality checks from time to time prior to making payment to us.

Quality control on construction materials and machinery

We closely monitor the quality of purchased materials and machinery. To ensure the quality of supplies, prior to ordering, our procurement staff will ensure that the materials are sourced from our approved suppliers to ensure overall quality of supplies. Upon arrival of the ordered materials, all materials are sent directly to the relevant work sites for inspection by our site agents and site foremen before utilisation. During the inspection, we will check (i) whether the quantity is correct; (ii) whether there is any observable defects; and (iii) for machinery purchased or leased by us, whether it functions normally. Any defective materials or materials that fall short of the product specifications would be returned to the suppliers for replacement. Our customers would also inspect the materials used by us at work sites and verify the specifications from time to time.

OCCUPATIONAL HEALTH AND SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, the subcontractors and the general public in hazards. Our occupational health and safety management system is approved to be in compliance with the standard required under OHSAS 18001:2007.

Occupational health and work safety measures

Our safety department (the "**Safety Department**") is supervised by Mr. Ma Kan Sun, our executive Director, whose qualifications and experience is set out in the section headed "Directors and Senior Management" in this prospectus. Our Safety Department is responsible for preparing safety plans, managing our occupational health and safety management system to ensure smooth implementation of our safety procedures and risk control measures. During the Track Record Period, we engaged external consultants to provide safety officer services. We intend to hire our in-house safety officers after Listing.

We have established a safety department for the purpose of setting strategic guidelines for implementation of our occupational health and safety measures relating to our operation and monitor the effectiveness of our safety management measures. In addition, site safety team, which consists of our project team, representatives of our customers and the project owners and representatives of subcontractors (if any), is also established on a project-by-project basis to implement on-site safety measures including regular safety inspections to maintain safe working environment, review of safety plan and update of risk assessment for the works, review of safety incidents and follow-up of any unsafe practices. As such, we keep our customers informed of the safety issues identified through safety meetings.

Set out below is a summary of our work safety measures:

- As required by our main contractors, a mandatory safety training course must be taken by every construction site worker who is required to obtain a valid certificate (also known as "**green card**") before he is allowed to enter a construction site. We also organise or arrange site safety induction briefing sessions for workers on the first day of work and provide trainings for the workers on site, including subcontractors' employees. Topics of our safety training typically cover safety procedures for performing different types of work (e.g. working at height), safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, and good housekeeping of workplaces.

- Effective promotion and communication of safety procedures are maintained through, among others, establishing safety bulletin and detailed record of accident statistics, holding regular internal and external safety meetings, documenting safety measures and issues identified for each project by preparing safety reports and training records.
- All workers on site, including subcontractors' employees, are required to follow the general safety rules adopted by our Group and our main contractors which are communicated to the workers before they commence work and posted on prominent notice boards on site. Workers who breach any such rules will be subject to internal disciplinary actions.
- Risk assessments are generally conducted by our safety officer to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works.
- Site inspections are carried out at least once a week by our safety supervisors to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, penalties of approximately HK$271,000, HK$183,000, HK$478,000 and HK$32,000 were charged to our Group by our customers, respectively, due to our subcontractors' failure to follow the safety guidelines issued by our customers, failure to use personal protective equipment, occasional absence from site inspections, site meetings and safety training provided by customers, smoking on site and failure to follow customers' housekeeping standard, during works execution. Although we are entitled to recover such penalty from the relevant subcontractors pursuant to the indemnity clause of the subcontracting agreement, our Directors consider that it may not be appropriate to seek indemnity from these subcontractors in order to maintain a long-term relationship with them. We therefore have endeavoured to enhance our subcontractors' safety awareness to avoid or minimise the possibility or recurrence of similar incidents in the future by providing safety training to all subcontractors on a regular basis.

To enhance our corporate safety management system, we engaged a safety auditor registered with the Labour Department to conduct an independent safety audit and/or review safety compliance of our Group in order to assist our Group to improve our overall safety performance. The safety auditor conducted a review in December 2018 on our occupational health and safety policy with a view to assisting our Group to inter alia, (i) enhance our management commitment to safety; (ii) effectively control work hazards; (iii) enhance risk evaluation and controls and (iv) ensure work health and prevent occupational diseases.

The safety audit report issued in December 2018 listed some areas of improvement, which include, among others, (i) the annual reported accident rate target should be mentioned in the occupational health and safety policy; (ii) emergency procedures for office staff should be implemented; (iii) training, monitoring and risks assessment relating to office staff should be included; and (iv) enterprise level safety meeting should be conducted. None of the findings are noted by the safety auditor to be material deficiency.

Although our Directors consider that no material deficiencies was found in the safety audit report, we will continue to observe relevant safety rules and regulations and update our occupational health and safety policy from time to time.

System of recording and handling accidents and our safety compliance record

If an accident occurs, the injured worker (including our employees and our subcontractors' employees) or the person who witnessed the accident is required to report to our site staff or Safety Department. Our Safety Department and our customers 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. If the accident is a "reportable accident" as assessed by our Safety Department, we will prepare an accident report and submit it to our customer and the Labour Department (if required) within the period as specified under the relevant laws and regulations. "Reportable accidents" means workplace accidents that are required to be reported to the Labour Department. For any accident that results in total or partial incapacity of an employee, the accident should be reported in writing within 14 days after the date of accident. For accidents that involve death or fatal injury to an employee, the accident has to be notified to the Labour Department within seven days after the accident. In the event of dangerous occurrence (as defined in the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)) or fatal accident in Hong Kong, we will notify the Labour Department and submit the Labour Department's standard "Dangerous Occurrence Report Form" within 24 hours.

The tables below set out the breakdown of the number of personal injury accidents by year/ period and the nature of the personal injury accidents occurred during the Track Record Period and up to the Latest Practicable Date:

	Number of Accidents
For the year ended 31 December 2016	5
For the year ended 31 December 2017	5
For the year ended 31 December 2018	3
For the three months ended 31 March 2019	4
From 1 April 2019 to the Latest Practicable Date	4
Total:	21

Nature of accident	**Number of Accidents**
Slipped, trip or fall on same level	9
Fell from height	5
Striking against objects	3
Struck by moving or falling objects	4
Total:	21

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

	Industry average *(Note 1)*	Our Group *(Note 2)*
For FY2016		
• Accident rate per 1,000 workers	34.5	11.0
• Fatality rate per 1,000 workers	0.093	0.0
For FY2017		
• Accident rate per 1,000 workers	32.9	8.2
• Fatality rate per 1,000 workers	0.185	0.0
For FY2018		
• Accident rate per 1,000 workers	Not available *(Note 3)*	3.6
• Fatality rate per 1,000 workers	Not available *(Note 3)*	0.0
For the three months ended 31 March 2019		
• Accident rate per 1,000 workers	Not available *(Note 4)*	3.4
• Fatality rate per 1,000 workers	Not available *(Note 4)*	0.0

Notes:

1. The industry average for FY2016 and FY2017 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 18 (August 2018) published by the Occupational Safety and Health Branch of the Labour Department.

2. Our Group's accident and fatality rate is calculated as the number of accidents during the year/period divided by the number of site workers as at the end of the year/period. The number of site workers includes employees of our Group and our subcontractors.

3. The industry average for FY2018 is expected to be released in August 2019.

4. The industry average for FY2019 is expected to be released in August 2020.

Save as disclosed above and to best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers' safety and we also have not suffered from any removal, suspension, downgrading or demotion of our licences or permits due to accidents or breaches of workplace safety regulations.

ENVIRONMENTAL PROTECTION

Our Group's operations on sites are subject to certain environmental requirements pursuant to the laws in Hong Kong such as Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus. We endeavour to minimise any adverse impact on the environment resulting from our business activities. In order to comply with the applicable environmental protection laws, we had implemented an environmental management system which was certified to be in compliance with the standard required under ISO 14001:2015. We have also established our environmental management policy to ensure proper management of environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on among others, air pollution, noise control and waste disposal. Apart from the above, according to the Industry Report, some of the environmental protection measures, such as construction waste disposal are carried out by the main contractors.

Possible impact of the NRMM Regulation

The NRMM Regulation came into effect on 1 June 2015 to bring NRMMs, including non-road vehicles and Regulated Machines, under regulatory control. For details, please refer to the section headed "Regulatory overview — NRMM Regulation" in this prospectus. As at 31 March 2019, our Group had nine Regulated Machines, out of which three were exempted and six were approved by the Hong Kong Environmental Protection Department under the NRMM Regulation. To keep our Group abreast of the industry changes due to the implementation the NRMM Regulation, we plan to acquire new machines and equipment which are more environmental friendly and are able to obtain approval under the NRMM Regulation if applicable.

During the Track Record Period, we did not incur any significant expenses for compliance with our environmental obligations and do not expect to incur any significant expenses in this respect going forward. During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against us.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Directors believe that we were well covered under the following insurance policies against the risks and liabilities to which we may be exposed in the course of our business operation:

(i) Contractors' all risk insurance

During the Track Record Period, as a subcontractor, our Group's customers or the main contractors are responsible for purchasing the contractors' all risk insurance policies covering the liabilities of our Group and that of our subcontractors arising out of the performance of the subcontracted works. Such insurance policies generally extend throughout the entire period of a contract, including the defects liability period following completion of the project.

(ii) Employees' compensation insurance

We maintain insurance coverage for our liabilities under employees' compensation and personal injury claims which meets the statutory minimum insurance coverage of HK$100 million on a per incident basis. We consider such insurance coverage being generally sufficient for our liabilities under employees' compensation claims and personal injuries actions.

(iii) Other insurance coverage

Our Group has also maintained insurance coverage against liability for third party bodily injury occurred in our office premises for an amount of up to HK$10 million per event.

Uninsured risks

Certain risks disclosed in the section headed "Risk Factors" in this prospectus, such as risk in relation to our ability to secure new contractors, potential claims arising from latent defects liability, estimation and management of costs, subcontractors' performance, liquidity risk, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims caused by substandard performance of our subcontractors, we can claim against such subcontractor for losses attributable to their substandard performance pursuant to the indemnity clause of the subcontracting agreement. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low. Please refer to the paragraph headed "Internal control and risk management" in this section for further details regarding how our Group manages certain uninsured risk.

Our Directors believe that our current insurance policies are adequate and the extent of the above insurance policies is consistent with industry norm having regard to our current operations and the prevailing industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

EMPLOYEES

As at 31 December 2016, 2017, 2018, 31 March 2019 and the Latest Practicable Date, we had 16, 18, 35, 36 and 42 employees who were directly employed by our Group in Hong Kong respectively. The following table sets out a breakdown of the number of our employees by functions:

	As at 31 December			As at 31 March	As at the Latest Practicable Date
	2016	2017	2018	2019	
Directors and general management	3	3	3	3	3
Administration, accounting and finance	3	4	6	6	7
Project management and site staff	8	9	23	24	29
Quantity surveyors	2	2	3	3	3
Total	16	18	35	36	42

Relationship with our staff

Our Directors consider that we have maintained good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes, save as disclosed in the paragraph headed "Litigation and Potential Claims" in this section. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience, qualifications and expertise required for our business operations. They are normally subject to two-month to three-month probation period starting on board. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide or arrange various types of trainings to our employees, including those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses organized by external parties such as the Construction Industry Council and the Occupational Safety and Health Council.

Remuneration policy

The remuneration package our Group offered to our employees includes salary, bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position, seniority and our profit. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

Our Group operates MPF scheme for all qualified employees in Hong Kong. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the total expenses recognised in the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK$213,000, HK$233,000, HK$311,000 and HK$147,000, respectively, which represents contributions payable to the scheme by our Group at rates specified in the rules of the MPF scheme.

Requirements under the Immigration Ordinance

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed "Regulatory Overview — A. Labour, Health and Safety — Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)" in this prospectus.

Our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via subcontracting to the best of our Director's knowledge, information and belief) in the past in respect of work sites over which we had or have control or of which we are or were in charge. We have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements in the past. We have implemented the following measures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site:

- Our administrative and human resources manager shall supervise the administration department to inspect and take copy of the original of workers' Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong.

- Our site agents are responsible for inspecting the personal identification document of each worker, including the employee of subcontractor, and shall refuse any person who does not possess proper personal identification document from entering the site.

RESEARCH AND DEVELOPMENT

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

COMPETITIVE LANDSCAPE

According to the Industry Report, the wet trades works industry in Hong Kong is highly competitive and fragmented with approximately 530 contractors and subcontractors registered under the category of "Finishing Wet Trades" and "Marbles, Granite and Stone Works" in the Subcontractors Registration Scheme of the Construction Industry Council as at 31 January 2019. The top five market participants accounted for approximately 23.2% of the total market share in terms of total industry revenue in 2018. Our Group held approximately 3.8% of the market share in the Hong Kong wet trades market in 2018.

Please refer to the section headed "Industry overview — Competitive landscape of wet trades works industry in Hong Kong" in this prospectus for further details of the competitive landscape of the wet trades works industry in Hong Kong.

PROPERTIES

Self-owned properties

The following table summarises the information regarding our owned properties as at the Latest Practicable Date:

Address	**Approximate gross floor area** *(sq. ft.)*	**Use of the property**
Room 9, 2/F., Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon	600	office
Workshop 5, 6/F., Fashion Centre No.51-53 Wing Hong Street Lai Chi Kok, Kowloon	802	warehouse *(Note)*

Note: This property was previously leased to an independent third party and we have taken it for our own use since November 2018.

Leased properties

The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

Address	Approximate gross floor area *(sq. ft.)*	Use of the property	Term	Monthly rental expenses
Room 7, 13/F., Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon *(Note)*	293	office	1 January 2019 – 31 December 2019	HK$11,720
Room 8, 5/F., Sui Ying Industrial Building, 1 Yuk Yat Street, To Kwa Wan, Kowloon	173	warehouse	1 April 2019 – 31 March 2020	HK$2,500

Note: This property is owned by Mr. Adam Cheung. Please refer to the section headed "Connected Transactions — Fully exempt continuing connected transactions" in this prospectus for details.

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date. Our Directors confirm that no single property interest that formed part of our Group's non-property activities had a carrying amount of 15% or more of our consolidated total assets as at 31 March 2019.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had registered "***www.handsform.com***" as our domain name. Please refer to the paragraph headed "Further information about the business of our Group — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus for further details of our intellectual property rights.

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

LICENCES AND PERMITS

As advised by our Legal Counsel, (i) except for the business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), there are no licenses, permits or approvals required to be obtained for our Group to carry on our business as a subcontractor of wet trades projects; and (ii) our Group is not required to be registered as a general building contractor and/or specialist contractor as long as we work with main contractors who are so registered and so appointed.

Registered Specialist Trade Contractors Scheme

For main contractors of major public projects and leading main contractors, subcontractors are required to be registered in the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme) of the Construction Industry Council. In view of this, we have first completed such registration under the predecessor scheme in April 2004. The following table summarises the details of such registration as at the Latest Practicable Date:

Type of registration	Granted by	Granted to	Trades Code	Specialties	Date of upcoming expiry date
Registered Subcontractor	Construction Industry Council	Ma Yau Engineering Limited	Finishing Wet Trades	Brick/block work, Plastering and tiling, Screeding	5 April 2023
			Marble, Granite and Stone Work	Marble/ granite work	
			Miscellaneous Cleaning Services	Cleaning of completed building units prior to handing over to individual owners	
Registered Subcontractor	Construction Industry Council	Pak Fai Engineering Limited	Finishing Wet Trades	Brick/block work, Plastering and tiling, Spray plaster, Screeding	5 April 2023
			Marble, Granite and Stone Work	Marble/ granite work	
			Other Finishing Trades and Components	Miscellaneous work	

In 2019, the Registered Specialist Trade Contractors Scheme was introduced by the Construction Industry Council in order to build up a pool of professional and responsible trade contractors with specialised skills through recognised registration system for development of the construction industry. The registration and the renewal of registration for the Registered Specialist Trade Contractors Scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and/or qualification in the relevant works. For further details in relation to the Registered Specialist Trade Contractors Scheme, please refer to the section headed "Regulatory Overview — C. Contractor Licensing Regime and operation — Registered Specialist Trade Contractors Scheme " in this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal of registration for the Subcontractor Registration Scheme (and since 1 April 2019, the Registered Specialist Trade Contractors Scheme). Our Directors confirmed that our Group had not experienced any material difficulties in obtaining and/or renewing the aforesaid registration and they were not aware of any circumstances that would significantly hinder or delay the renewal of the registration. Our Directors do not foresee any material impediment in the renewal of the aforesaid registration by us.

Our Group has obtained valid business registration certificate during the Track Record Period and up to the Latest Practicable Date. To the best of our Directors' knowledge, information and belief having made reasonable enquiry, our customers as main contractors have obtained all material licences, permits and approvals required for carrying on the wet trades projects undertaken by us during the Track Record Period and up to the Latest Practicable Date.

In order to ensure the ongoing compliance with the applicable requirements, laws and regulations concerning the licensing requirements, our administration department shall be responsible for:

(i) identifying and reviewing any approvals, permits, licences and certificates (if required) for our Group's operations and to ensure compliance with relevant laws and regulations periodically;

(ii) checking relevant requirements and making necessary submission (if required) to upkeep our Group's licensing status;

(iii) identifying any information which shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction etc;

(iv) keeping the update of the above information to our customers when necessary;

(v) identifying the new requirements, operation and control procedures under statutory and regulations applicable to our operations; and

(vi) briefing our relevant staff for the news, update, revised requirements for ensuring that our relevant staff obtains update of the industry-specific requirements.

AWARDS AND RECOGNITIONS

We have received a number of awards and certificates during our operating history in recognition of our commitment and dedication to safety and environmental compliance. The following table summarises the awards and certificates obtained by our Group:

Certifications for compliance with ISO requirements

Nature	Certification	Awarding organisation or authority	Holder	Validity period
Quality Management System	ISO 9001:2015	AJA Registrars Limited	Pak Fai Ma Yau	27 January 2019 — 26 January 2022
Environmental Management System	ISO 14001:2015	AJA Registrars Limited	Pai Fai Ma Yau	30 January 2019 — 29 January 2022
Occupational health and safety management systems	OHSAS18001:2017	AJA Registrars Limited	Pai Fai Ma Yau	26 February 2019 — 11 March 2021

The validity of the above certifications is subject to the continuing satisfactory operation of the relevant holder's management system and surveillance audits. Our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of these certifications.

Awards in recognition of our Group's quality, safety and environmental compliance

Year of award or recognition	Award or recognition
2018	Certificate of Honour by Customer F for the best performance in the seventh Assessment of Occupational Safety Management
2015	Zero Accident Award 2015 by an affiliated company of Sanfield in relation to YoHo Town Phase III
2006	Best Safety Performance Subcontractor Award (最佳安全表現承判商獎) by a main contractor for our excellent performance in safety management
2006	Certificate of Contribution in Producing a World-class Building by main contractors in relation to "York House" in Central
2005	Best Safety Performance Subcontractor Award (最佳安全表現判商獎) by a main contractor in relation to Grand Waterfront
2001	Best Partner Award by main contractors in relation to Ocean Shores (Phase 2)
1997	Safety Merit Award by a main contractor in relation to Metro City Phase I

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group was involved in a number of claims and litigations. Set out below is a summary of certain outstanding litigations and potential claims involving our Group as at the Latest Practicable Date arising in the ordinary and usual course of our business.

(I) Outstanding claims as at the Latest Practicable Date

As at the Latest Practicable Date, there were five outstanding employees' compensation and personal injury claims under common law. Details of the outstanding employees' compensation and personal injury claims under common law are as follows:

	Date of the Incident	Nature of the claim(s)	Nature of the incident	Total amount involved	Status
1.	2 May 2015	Personal injury claim	The claimant alleged that he sustained head injuries, cerebral contusion, post concussion syndrome, headache and nausea as a result of falling down from a platform in the course of work	To be assessed by court	On-going. The insurer has taken over the conduct of the claim.
2.	23 June 2015	Personal injury claim	The claimant alleged that he sustained back injury while carrying materials in the course of work	To be assessed by court	On-going. The insurer has taken over the conduct of the claim.
3.	5 December 2017	Employee's compensation claim	The claimant alleged that he sustained right toes fracture after being hit by falling bricks in the course of work	To be assessed by court	On-going. The insurer has taken over the conduct of the claim.
4.	19 September 2018	Employee's compensation claim	The claimant alleged that he sustained fracture on his right toe after being hit by a fallen wooden board	To be assessed by court	On-going. The insurer has taken over the conduct of the claim.
5.	15 January 2019	Employee's compensation claim	The claimant alleged that he sustained an injury to the right foot and rib after he lost his balance stepping into a nearby pit and fell onto the ground	To be assessed by court	On-going. The insurer has taken over the conduct of the claim.

Our Directors are of the view that we are, as usual, committed in ensuring safety at the construction site and occurrence of personal injuries is not uncommon in the construction industry. After obtaining legal advice from our Legal Counsel, our Directors confirm that all such claims (including employees' compensation claims and personal injury claims) are well covered by insurance and would not result in any material impact on the financial position or results of operations of our Group. Details of our Controlling Shareholders' indemnity are set out in the paragraph headed "Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus.

(II) Potential claims and litigation as at the Latest Practicable Date

Our Group recorded 18 personal injury accidents which time limit for filing a claim pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and/or a personal injury claim under common law had not yet passed. Out of these 18 accidents, all of them happened during the Track Record Period and up to the Latest Practicable Date. For further details of these accidents, please refer to the paragraph headed "Occupational Health and Safety" in this section.

The injured persons in the above cases may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents. The claims, when filed, will be handled by solicitors appointed by the main contractors' insurers. We are not in a position to assess the likely quantum of such potential claims given the lack of adequate information at this stage. As it is the obligations of the relevant main contractors in the project to effect proper insurance policies against damages, claims and compensation in respect of the persons who are employed to work at the construction sites, our Directors confirmed that all the potential personal injury claims and potential employees' compensation claims will be covered by the insurance maintained by the relevant main contractors and/or indemnified by our Controlling Shareholders under the Deed of Indemnity.

Other than the above potential claims, Pak Fai received an improvement notice dated 6 March 2019 (the "**March Improvement Notice**") and an improvement notice dated 1 April 2019 (the "**April Improvement Notice**" and together with the March Improvement Notice, the "**Improvement Notices**") from the Labour Department both for projects where Pak Fai served as a subcontractor. The March Improvement Notice alleges that Pak Fai was the contractor responsible for the scaffold and further alleges that it failed to ensure that scaffold shall not be used unless it is properly maintained and every part thereof kept so securely supported or suspended as to ensure, so far as is reasonably practicable, that it is stable, in contravention of regulation 38D(c) of the Construction Sites (Safety) Regulations. The April Improvement Notice alleges that Pak Fai was a contractor who had control of the construction work which was carried out on a certain premise but failed to take adequate steps to prevent a person from falling from a height of 2 metres or more, in contravention of regulation 38B(1A) of the Construction Sites (Safety) Regulations. Both ask Pak Fai to rectify the situation.

Under the Construction Sites (Safety) Regulations, the maximum penalty for a charge under regulations 38D(c) or 38B(1A) will be a fine of HK$200,000 and to imprisonment for 12 months for offence committed without reasonable excuse and in any other case to a fine of HK$200,000. As advised by the Legal Counsel, based on there being no fatality involved, the actual penalty imposed in relevant reference case, and Pak Fai's past record, the estimated penalty for Pak Fai and its directors is HK$10,000 each in the event of conviction (i.e. total estimated penalty of HK$20,000 for the Improvement Notices).

By a letter submitted by Pak Fai to the Labour Department dated 11 March 2019 (the "**Letter**"), Pak Fai denied that it was the responsible party for the scaffolding described in the March Improvement Notice. However, given our emphasis on occupational health and work safety, we will also use our best endeavours to arrange for relevant responsible parties to address the situation. The Directors confirm that based on discussion with staff and review of internal records, the situation in the Improvement Notices arose mainly because of the carelessness of the relevant worker in paying attention to the environment and/or complying with applicable safety policies, procedures and regulations rather than intentional misconduct, fraud or dishonesty on the part of our Group or our Directors or any material deficiencies in our Group's safety management system.

Although the Improvement Notices are not notices of formal charges being brought against Pak Fai, in the event that the Labour Department considers that Pak Fai failed to comply with the Improvement Notice without reasonable excuse (such as non-acceptance of Pak Fai's explanations in the Letter), it may allege breach under section 9(5) of the Occupational Health and Safety Ordinance ("**OHSO**") in addition to the alleged breach of the Construction Sites (Safety) Regulations. Under section 9(5) of the OHSO, the maximum penalty for failure to comply with the Improvement Notice is a fine of HK$200,000 and imprisonment for 12 months. The directors of Pak Fai who consented or connivance of or was attributable to the neglect for the failure to comply with the Improvement Notices are also liable for the same offence under section 33(1) of the OHSO. As advised by the Legal Counsel, based on there being no fatality involved, the actual penalty imposed in relevant reference case, and Pak Fai's past record, the estimated penalty is a fine of HK$40,000 for Pak Fai and its directors on guilty pleas (i.e. total estimated penalty of HK$80,000 for the Improvement Notices).

Up to the Latest Practicable Date, we confirm that we have not received any reply from the Labour Department rejecting our reasoning in the Letter nor received any notice of charges being brought against Pak Fai in relation to the Improvement Notices.

(III) Settled or withdrawn claims during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we had settled the following claims in legal proceedings (or such claims were otherwise withdrawn):

	Natures of the claim(s)	Particulars of the claims	Covered by insurance
1	Personal injury claim	It was alleged that on 20 January 2011, the claimant sustained injury to her right leg	Yes
2	Personal injury claim	It was alleged that on 25 June 2013, the claimant sustained injuries to right leg and right thigh after being hit by falling glasses in the course of work	Yes
3	Employees' compensation claim	It was alleged that on 10 August 2014, the claimant sustained swelling and facture over right ankle, heel and foot as a result of slipping the right foot into a hole on the floor in the course of work	Yes
4	Employees' compensation claim	It was alleged that on 2 May 2015, claimant sustained head injuries, cerebral contusion, post concussion syndrome, headache and nausea as a result of falling down from a platform in the course of work	Yes
5	Employees' compensation claim	It was alleged that on 23 June 2015, claimant sustained back injury while carrying materials in the course of work	Yes
6	Employees' compensation claim	It was alleged that on 13 July 2016, claimant sustained right wrist fracture as a result of falling down from a platform in the course of work	Yes
7	Employees' compensation claim	It was alleged that on 23 September 2016, the claimant sustained right ribs fracture as a result of falling down from a platform in the course of work	Yes

In July 2019, we received and settled a claim by a storage company against Ma Yau in the Small Claims Tribunal in the amount of approximately HK$13,000 for storage costs.

As at the Latest Practicable date, save as disclosed above, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

NON-COMPLIANCE

Set out below is a summary of our non-compliance incidents during the Track Record Period and up to Latest Practicable Date. As at the Latest Practicable Date, our Group had not been prosecuted or had never received any notice of prosecution from the relevant authorities for the non-compliance incidents disclosed below.

Details of the non-compliance	**Applicable laws and regulations**	**Reasons for the non-compliance**	**Maximum penalty/ likely penalty/ actual penalty of the non-compliance**	**Remedial/ rectification actions taken**
During the Track Record Period, Pak Fai failed to appoint a registered safety auditor to conduct safety audit at the corporate level and in relation to four projects (comprising of two completed projects and two on-going projects.)	Sections 13 and 34 of the Factories and Industrial Undertakings (Safety Management) Regulation (Chapter 59AF of the Laws of Hong Kong) **("FIUSMR")**.	The breach was not willful and due to the mistaken belief that only the main contractor has to perform this duty.	A maximum fine of HK$200,000 and imprisonment for up to six months. The relevant section of the regulation does not stipulate or provide for any liability to be attributed to the directors of the relevant proprietor or contractor. Based on the expected timing for when the safety audits should have been conducted, the Legal Counsel is of the view that, the non-compliance incidents relating to four projects are time-barred and accordingly, there is no risk of imprisonment of the directors for such incidents.	We appointed a registered safety auditor to conduct a safety audit at the corporate level and in relation to the two on-going projects in compliance with the FIUSMR in December 2018, and the audit report was filed with the Labour Department in January 2019. Further, our Group has established internal control procedures (including appointing Mr. Ma Kan Sun, our executive Director, to monitor the safety audit/review work) to prevent future non-compliance of similar nature.

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group has complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material or systemic.

Our Directors consider that the abovementioned non-compliance incident would not affect the suitability of listing of our Company under Rule 8.04 of the Listing Rules having considered the fact that (i) an independent internal control consultant has assessed and confirmed that those rectification actions have been implemented as stated above to avoid recurrence of the non-compliance incident; and (ii) the above non-compliance incident was neither intentional nor wilful, did not involve any fraudulent act or dishonesty on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

The Sole Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors that (i) the abovementioned non-compliance incident would not affect the suitability of listing of our Company under Rule 8.04 of the Listing Rules; and (ii) the non-compliance incident would not give rise to the concerns on the ability of our executive Directors to oversee our Company's operation and the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

Furthermore, our Controlling Shareholders have entered into a Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any claims, payments, suits, damages, settlement payments, costs and expenses which would be incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature against any member of our Group in relation to any act, non-performance, omission or otherwise of any member of our Group on or before the date on which the Share Offer becomes unconditional. Please refer to the paragraph headed "Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus for details of the Deed of Indemnity.

Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to such non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sole Sponsor concurs, that the impact of such non-compliance incident would be immaterial to our Group's operation and financial positions.

No provision was made in the financial statements of our Group in respect of the aforementioned non-compliance incident as our Directors have taken into consideration the following: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the said non-compliance incident; (ii) as advised by our Legal Counsel, the above non-compliance incidents are time-barred; and (iii) our Controlling Shareholders shall indemnify our Group pursuant to the Deed of Indemnity.

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the Listing and to further improve our internal control system, in December 2018, we engaged an internal control consultant to perform an assessment over our Group's internal control system including the areas of financial, operation, compliance and risk management. There are a number of findings, including (i) lack of documentation over new supplier and subcontractor selection process; (ii) lack of policies and procedures for human resource and payroll management; and (iii) lack of policies and procedures regarding information technology general controls. None of the findings are classified by the internal control consultant to be material deficiency. Nevertheless, we endeavour to uphold the integrity of our business by maintaining an internal control and risk management system into our organisational structure. In order to strengthen our internal control system, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

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

Please refer to the paragraph headed "Customers — Pricing Strategy" in this section to address the risk of potential inaccurate estimation and cost overrun.

(ii) Risk relating to subcontractors' performance

Please refer to the paragraphs headed "Suppliers — Subcontractors — Basis of selection of subcontractors" and "Suppliers — Subcontractors — Control over subcontractors" in this section.

(iii) Credit risk relating to the collection of trade receivables and retention receivables

Please refer to the paragraph headed "Customers — Credit management and collection of our trade receivables and retention receivables" in this section.

(iv) Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on bank borrowings and bank overdrafts as a source of liquidity and the management monitors the utilisation of bank borrowings and bank overdrafts.

(v) Quality control

Please refer to the paragraph headed "Quality Control" in this section.

(vi) Occupational health and safety

Please refer to the paragraph headed "Occupational Health and Safety" in this section.

(vii) Environmental management

Please refer to the paragraph headed "Environmental Protection" in this section.

(viii) Corporate governance

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code.

To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed "Relationship with our Controlling Shareholders — Corporate governance measures to safeguard the interest of shareholders" in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance reports to be included in our annual reports after Listing.

(ix) Risk relating to compliance with the Listing Rules after Listing

Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon Listing:

- We shall establish system and manuals in relation to, among others, distribution of annual and interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.

- Our Directors attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.

- We have engaged Grande Capital Limited as our compliance adviser and will, upon Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.

- We have established an Audit Committee which comprises all independent non-executive Directors, namely Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung. The Audit Committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

GENERAL

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

Name	Age	Position	Date of joining our Group	Date of appointment as Director or senior management	Relationship with other Directors and senior management	Roles and responsibilities
Directors						
Mr. Cheung Kwok Fai Adam (張國輝) (formerly known as Mr. Cheung Kwok Fai (張國輝))	59	Chairman of our Board, chief executive officer of our Company and executive Director	1 April 1990	30 January 2019	Uncle of Mr. Ng Sheung Chung and Mr. Ma Kan Sun	Overall management and overseeing and monitoring of the projects of our Group
Mr. Ng Sheung Chung (伍尚聰)	45	Executive Director	1 June 2001	30 January 2019	Nephew of Mr. Cheung Kwok Fai Adam and cousin of Mr. Ma Kan Sun	Overall management and business development of our Group
Mr. Ma Kan Sun (馬庚申)	38	Executive Director	May 2002	30 January 2019	Nephew of Mr. Cheung Kwok Fai Adam and cousin of Mr. Ng Sheung Chung	Overall project management, administrative matters and safety management of our Group
Mr. Pak Shek Kuen (白錫權)	61	Independent non-executive Director	July 2019	21 July 2019	N/A	Providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct

Name	Age	Position	Date of joining our Group	Date of appointment as Director or senior management	Relationship with other Directors and senior management	Roles and responsibilities
Directors						
Mr. Lo Chi Hung (盧志雄)	54	Independent non-executive Director	July 2019	21 July 2019	N/A	Providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct
Mr. Ho Kwok Lung (何國龍)	38	Independent non-executive Director	July 2019	21 July 2019	N/A	Providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appointments and standard of conduct
Senior management						
Mr. Tsui Chun Hung (崔雋雄)	31	Financial controller and company secretary	10 September 2018	30 January 2019	N/A	Overseeing our Group's finance and accounts function and internal controls, and providing financial and business advice to the Board and senior management of our Group
Mr. Lee Tai Chung (李帝忠)	61	Site agent	1 June 2007	2 January 2017	N/A	Planning, organising, directing and coordinating activities and resources on the construction site

Executive Directors

Mr. Cheung Kwok Fai Adam (張國輝) (formerly known as Mr. Cheung Kwok Fai (張國輝)), aged 59, is the chairman of our Board, the chief executive officer of our Company, an executive Director and one of the Controlling Shareholders. He was appointed as a Director on 30 January 2019 and was re-designated as an executive Director and appointed as chairman of the Board and chief executive officer of our Company on 22 July 2019. He is also the chairman of the Nomination Committee. He is responsible for the overall management and overseeing and monitoring of the projects of our Group.

Mr. Adam Cheung has over 29 years of experience in the construction industry. He joined our Group in April 1990 when he started working as a manager at Pak Fai. He has been a director of Pak Fai and Ma Yau since December 1992 and April 1997 respectively. Since January 2019, he has been a director of our BVI subsidiaries Autumn Well, Creative Panda and Vantage Charm. Mr. Adam Cheung completed the Hong Kong Advanced Level Examination.

Mr. Adam Cheung is the uncle of Mr. Ng Sheung Chung, an executive Director, the uncle of Mr. Ma Kan Sun, an executive Director, and the brother of Ms. LC Cheung, one of the Controlling Shareholders.

Mr. Ng Sheung Chung (伍尚聰) ("**Mr. Ng**"), aged 45, is an executive Director. He was appointed as a Director on 30 January 2019 and was re-designated as an executive Director on 22 July 2019. He is responsible for the overall management and business development of our Group.

Mr. Ng obtained a Higher Diploma in Computer Engineering (With Credit) from the Hong Kong Technical Colleges in June 1997.

Mr. Ng has over 18 years of experience in the construction industry. Since June 2001, he has been working at Pak Fai and his major job duties are review of contracts, material lists and price lists and assist the company in preliminary project cost estimations. Since January 2010, he has also been working at Ma Yau as a manager. Since September 2011, he has been a director of both Pak Fai and Ma Yau. Since January 2019, he has been a director of our BVI subsidiaries Autumn Well, Creative Panda and Vantage Charm.

Mr. Ng is the nephew of Mr. Adam Cheung, an executive Director and one of the Controlling Shareholders, the cousin of Mr. Ma Kan Sun, an executive Director, and the nephew of Ms. LC Cheung, one of the Controlling Shareholders.

Mr. Ma Kan Sun (馬庚申) ("**Mr. Ma**"), aged 38, is an executive Director. He was appointed as a Director on 30 January 2019 and was redesignated as an executive Director on 22 July 2019. He is responsible for the overall project management, administrative matters and safety management of our Group.

Mr. Ma completed the Safety & Health Supervisor Training Course (Construction Industry) in August 2012. Since then, he has supervised the Safety Department and is also responsible for the safety management system of our Group. Mr. Ma received secondary education in Canada.

Mr. Ma first joined our Group when he was employed by Pak Fai as a site foreman from May 2002 to June 2004. After pursuing other career opportunities, he returned to Pak Fai as an office manager in March 2011. He has been a director of Pak Fai and Ma Yau since March 2017 and September 2011 respectively.

Mr. Ma was a manager of the following unincorporated business entity which was dissolved with details as follows:

Name of business entity	Place of establishment	Business nature	Details on dissolution
中山市三鄉鎮新方向服裝店	PRC	Retail	Dissolved by deregistration in September 2010

Mr. Ma has confirmed that (1) the abovementioned business entity was solvent immediately prior to its dissolution; (2) there was no fraudulent act or misfeasance on his part leading to the dissolution of the abovementioned business entity; and (3) he was not aware of any actual or potential claim which had been or would be made against him as a result of the dissolution of the abovementioned business entity.

Mr. Ma is the nephew of Mr. Adam Cheung, an executive Director and one of the Controlling Shareholders, the cousin of Mr. Ng Sheung Chung, an executive Director, and the son of Ms. LC Cheung, one of the Controlling Shareholders.

Independent non-executive Directors

Mr. Pak Shek Kuen (白錫權) ("**Mr. Pak**"), aged 61, was appointed as an independent non-executive Director on 21 July 2019. He is also the chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appoints and standard of conduct of our Group.

Mr. Pak obtained a Master of Business Administration from City University of Hong Kong in November 1995. He further obtained a Master of Science in Electronic Commerce and Internet Computing from The University of Hong Kong in December 2003. Mr. Pak has been an associate of The Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since April 1988. He was admitted an associate of The Chartered Association of Certified Accountants in July 1988 and further admitted a fellow of The Chartered Association of Certified Accountants in July 1993.

Mr. Pak has over 39 years of experience in the fields of internal audit, treasury, risk management and business management. A summary of his working experience is as follows:

Period of employment	Company	Principal business activities of the company at the relevant time	Last position at the company
May 1979 — February 1989	Hang Seng Bank Limited	Banking	Audit officer
February 1989 — March 1995	Union Bank of Switzerland (Hong Kong Branch)	Banking	Senior internal auditor
May 1995 — April 2000	Core Pacific Securities International Limited and Core Pacific — Yamaichi International (H.K.) Limited (both being members of the Core Pacific Group)	Securities and futures brokerage, proprietary trading of securities and futures, corporate finance and asset management	Associate director, head of risk management
March 2000 — November 2002	Pacific Challenge Securities Limited and Pacific Challenge Management Services Limited (both being members of the Pacific Challenge Securities Group)	Securities trading	Group operation head
February 2003 — April 2012	TC Orient Lighting Holdings Limited (a company listed on the Stock Exchange with stock code 515)	Manufacturing and trading of a broad range of light-emitting diode (LED) lighting and printed circuit boards (PCBs)	Executive director and chief financial officer
April 2013 — January 2015	HuaYi Resources Limited	Mining of magnesite ore and production of caustic calcined magnesite powder	Executive director and chief financial officer

Period of employment	Company	Principal business activities of the company at the relevant time	Last position at the company
December 2014 — March 2015	Poly Genius Consulting Limited	Consulting in the fields of pre-IPO advisory, strategic positioning and human capital, business crisis management and litigation support	Senior advisor
May 2015 — August 2015	Vital Strategic Corporate Consultancy Limited	Provision of management consultancy and accounting services	Chief financial officer
August 2015 — September 2015	UDL Employment Services Limited (then a subsidiary of the then UDL Holdings Limited, a company listed on the Stock Exchange with stock code 620)	Marine and engineering and vessels trading	Chief financial officer
Since May 2016	TC Orient Lighting Holdings Limited (a company listed on the Stock Exchange with stock code 515)	Manufacturing and trading of a broad range of light-emitting diode (LED) lighting and printed circuit boards (PCBs)	Assistant general manager

Mr. Lo Chi Hung (盧志雄) ("**Mr. Lo**"), aged 54, was appointed as an independent non-executive Director on 21 July 2019. He is the chairman of the Remuneration Committee, and also a member of the Audit Committee and the Nomination Committee. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appoints and standard of conduct of our Group.

Mr. Lo obtained a Bachelor of Laws from Staffordshire University, United Kingdom in July 1996 and a Postgraduate Certificate in Laws from The University of Hong Kong in September 1999. He was admitted as a solicitor of the High Court of Hong Kong in February 2002 and is a member of the Law Society of Hong Kong. Mr. Lo has been appointed as a deputy magistrate in Hong Kong for the period from 17 June 2019 to 20 September 2019.

Mr. Lo has over 17 years of experience in the legal profession. Since admission of solicitors in February 2002, Mr. Lo has worked at various Hong Kong solicitors' firms, including David Y.Y. Fung & Co., Solicitors where he was an assistant solicitor from February 2002 to May 2004, and Christopher Li & Co., Solicitors where he was an assistant solicitor from June 2005 to February 2008. Since March 2009, he has been a partner of Patrick Mak & Tse, a solicitors' firm. He is also currently a consultant at Jim & Co., a solicitors' firm. Mr. Lo previously served as the company secretary of Zhi Cheng Holdings Limited (formerly known as Xing Lin Medical Information Technology Company Limited, a company listed on the Stock Exchange with stock code 8130) from November 2010 to July 2015.

Mr. Lo was a director of the following company which was dissolved (otherwise than by members' voluntary winding-up) with details as follows:

Name of company	Place of incorporation	Business nature	Details on dissolution
Capital Silver Limited (銀本有限公司)	Hong Kong	dormant	Dissolved by striking off by the Registrar of Companies in Hong Kong pursuant to section 291 of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) on 27 September 2002

Mr. Lo has confirmed that (1) the abovementioned company was solvent immediately prior to its dissolution; (2) there was no fraudulent act or misfeasance on his part leading to the dissolution of the abovementioned company; and (3) he was not aware of any actual or potential claim which had been or would be made against him as a result of the dissolution of the abovementioned company.

Mr. Ho Kwok Lung (何國龍) ("**Mr. Ho**"), aged 38, was appointed as an independent non-executive Director on 21 July 2019. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is primarily responsible for providing independent judgment to bear on issues of strategy, policy, performance, accountability, resource, key appoints and standard of conduct of our Group.

Mr. Ho obtained a Professional Diploma in Construction Project Management from The University of Hong Kong School of Professional and Continuing Education in July 2005 and a Bachelor of Applied Science (Construction Management and Economics) from Curtin University of Technology in Australia in February 2008.

Mr. Ho has over 18 years of experience in the construction industry. He has worked at various construction contractors in Hong Kong, including Gammon Construction Limited where his last position was construction supervisor from August 2000 to May 2008, Kin Sum Construction Company Limited where he was a site engineer from December 2010 to February 2014, New City Construction Company Limited as a site agent from March 2014 to December 2015, and Chi Sum Engineering Limited as an assistant project manager and director since January 2016.

Save as disclosed above, none of our Directors has held any directorship in any company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Statutory and general information" in Appendix IV to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respective of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that need to be brought to the attention of our shareholders.

Senior management

Mr. Tsui Chun Hung (崔雋雄) ("**Mr. Tsui**"), aged 31, is our financial controller and company secretary. He was appointed as the financial controller and company secretary of our Company on 30 January 2019. He is responsible for overseeing our Group's finance and accounts function and internal controls, and providing financial and business advice to the Board and senior management of our Group.

Mr. Tsui obtained a Bachelor of Arts with First Class Honours in Accounting from Edinburgh Napier University in the United Kingdom in February 2012. Mr. Tsui has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since March 2014.

Mr. Tsui has over ten years of experience in the fields of accounting and auditing. Prior to joining our Group, he gained working experience in various accounting firms in Hong Kong, including Mabel Chan & Co. where he worked as an audit assistant from August 2008 to September 2009, SBC CPA Limited where his last position was accountant from September 2009 to October 2010, CLL C.P.A. Limited where he worked as an audit intermediate from October 2010 to December 2010, Parker Randall CF (H.K.) CPA Limited where he worked as an audit senior from January 2011 to July 2012, and Shinewing (HK) CPA Limited where his last position was assistant audit manager from July 2012 to August 2015. He worked as an assistant financial controller in Deson Development Limited, a subsidiary of Deson Construction International Holdings Limited (a company listed on the Stock Exchange with stock code 8268), from August 2015 to September 2018. He joined our Group in September 2018 when he started working for Pak Fai as its financial controller.

Mr. Lee Tai Chung (李帝忠), aged 61, is our site agent responsible for planning, organising, directing and coordinating activities and resources on the construction site. Mr. Lee has over 11 years of experience in the construction industry. He joined our Group in planning, organising, directing and coordinating activities and resources on the construction site since 2007 when he started working as a site foreman. Mr. Lee has extensive experience as a plasterer having first obtained a trade test certificate as a plasterer in 1999 from the Construction Industry Council. He is currently registered as Skilled Worker (Principal Trade Division: Plasterer) in the Register of Construction Workers with the Construction Industry Council.

None of our senior management has held any directorship in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Tsui Chun Hung (崔雋雄), aged 31, is our financial controller and company secretary. He was appointed as the financial controller and company secretary of our Company on 30 January 2019. Please refer to the sub-paragraph headed "Senior management" in this section for his biography.

CORPORATE GOVERNANCE

Upon Listing, our Company will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Code**") with the exception of code provision A.2.1 of the Code, which requires the roles of chairman and chief executive be separate and should not be performed by the same individual. Our Directors will review our corporate governance policies and compliance with the Code each financial year and include our corporate governance report in our annual reports upon Listing. The terms of reference for performing the corporate governance functions in compliance with the Code were approved by our Board for adoption on 22 July 2019.

Separation of the roles of chairman and chief executive

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Currently, Mr. Adam Cheung is both the chairman of our Board and the chief executive officer of our Company. In view of Mr. Adam Cheung's strong expertise and insight of the wet trades works industry, role in the day-to day management and operations of our Group and current positions as one of the directors of various members of our Group as at the Latest Practicable Date, our Board believes that it is in the best interests of our Group for Mr. Adam Cheung to take up the dual roles of chairman and chief executive officer. Our Board considers that the deviation from code provision A.2.1 of the Code is appropriate in such circumstances and that there are sufficient checks and balances in place.

Our Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole. Our Directors are aware that we are expected to comply with the Code. Any deviation from the Code should be carefully considered and disclosed in the interim and annual reports. Save as disclosed above, we will continue to comply with the Code to protect the best interests of our Shareholders upon and after Listing.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 22 July 2019 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our Audit Committee comprises three independent non-executive Directors, namely Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung. Mr. Pak Shek Kuen is the chairman of our Audit Committee.

Nomination Committee

Our Company established the Nomination Committee on 22 July 2019 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our Nomination Committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge, professional experience and diversity of perspectives) of our Board at least annually or when necessary and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) reviewing our board diversity policy (the "Board Diversity Policy"); (c) developing and reviewing, as appropriate, the policy for the nomination of Directors; (d) identifying and nominating individuals suitably qualified to become members of our Board and nominating or making recommendations to our Board on the selection of individuals nominated for directorships; (e) assessing the independence of our independent non-executive Directors; and (f) making recommendations to our Board on the appointment and succession planning for our Directors. Our Nomination Committee comprises three independent non-executive Directors, namely Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung, and one executive Director, namely Mr. Adam Cheung. Mr. Adam Cheung is the chairman of our Nomination Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 22 July 2019 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our Remuneration Committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our non-executive Directors. Our Remuneration Committee comprises three independent non-executive Directors, namely Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung. Mr. Lo Chi Hung is the chairman of our Remuneration Committee.

BOARD DIVERSITY POLICY

Our Company adopted the Board Diversity Policy on 22 July 2019 which sets out the approach to achieve diversity on our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives to enhance the quality of its performance. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills, and knowledge. Our Board reflects the current management of our Group and comprises six members, including three executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including wet trades works, overall management and business development, legal, finance, auditing and accounting experiences. Furthermore, the ages of our Directors range from 38 years old to 60 years old. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and monitor and report annually in our corporate governance report about the implementation of the Board Diversity Policy. While our Directors recognise that gender diversity at the board level can be improved given its current composition of all-male Directors, we will continue to apply the principle of appointments based on merits with reference to Board Diversity Policy as a whole. Upon the Listing, the effective implementation of the Board Diversity Policy will depend to an extent on our Shareholders' independent judgment on the suitability of individual candidates and their views on the speed and scale in applying gender diversity to our Board. Nevertheless, in recognising the importance of gender diversity and taking into account the initial terms of our Directors, our Directors confirm that our Nomination Committee will, within three years from the Listing Date, identify and recommend to our Board for its consideration at least two female candidates to be appointed as Director, and will continue to identify and recommend female candidates to our Board to be appointed as Directors from time to time. Our Nomination Committee will identify suitable female candidates internally through discussions with our human resources staff about possible internal promotions and externally through engaging third parties (such as employment agencies), referrals and other reasonable methods. After identifying such candidate(s), we will provide necessary information about such candidate(s) in our Company's announcement(s) and circular(s) for our Shareholders' understanding. We will use our best endeavours to have at least one third of our Board comprised of female Directors by 2022. Based on the above, our Directors believe that the Board Diversity Policy will be effective despite our Board currently lacking gender diversity.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Grande Capital Limited 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 3A.23 of the 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 Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group are and will be formulated by our Board on the recommendations of the Remuneration Committee of our Company (comprising three independent non-executive Directors). During the Track Record Period, the remuneration of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the performance of our Group and of individual Director or senior management. Our Company intends to continue its remuneration policies after the Listing, subject to the review by and the recommendations of the Remuneration Committee of our Company.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the aggregate amount of remuneration (including salaries and allowance, if any) paid or payable by our Group to our Directors was approximately HK$1.5 million, HK$1.4 million, HK$1.5 million and HK$0.8 million, respectively.

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK$1.5 million, HK$1.3 million, HK$1.8 million and HK$1.3 million, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group in respect of FY2016, FY2017, FY2018 and the three months ended 31 March 2019 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 December 2019 will be approximately HK$1.7 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

EMPLOYEES' REMUNERATION AND RETIREMENT BENEFIT SCHEMES

For details of our employees' remuneration and retirement benefit schemes, please refer to the section headed "Business — Employees — Remuneration policy" in this prospectus.

Share Option Scheme

Our Directors may also receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Other information — 1. Share Option Scheme" in Appendix IV to this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of our Controlling Shareholders, Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown will control approximately 75% of the issued share capital in our Company. Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown are regarded as a group of Controlling Shareholders and each of Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown shall be regarded as a Controlling Shareholder under the Listing Rules. For further details of the shareholding interest of our Controlling Shareholders, please refer to the paragraph headed "Further information about our Directors, Substantial Shareholders and experts — 2. Substantial Shareholders" in Appendix IV to this prospectus.

Mr. Adam Cheung and Ms. LC Cheung have been acting in concert with each other in respect of all operational and major affairs of the operating subsidiaries of our Group and have confirmed this arrangement in the Concert Party Deed (for details, please refer to the paragraph headed "Concert Party Deed" in this section below).

CONCERT PARTY DEED

In preparation for the Listing, on 21 February 2019, Mr. Adam Cheung and Ms. LC Cheung executed the Concert Party Deed, pursuant to which Mr. Adam Cheung and Ms. LC Cheung confirmed their acting in concert arrangements during the Track Record Period, and agreed to continue to act in the above manner regarding the affairs of our Group upon the Listing until the Concert Party Deed is terminated in writing. Under the acting in concert arrangements, Mr. Adam Cheung and Ms. LC Cheung had exercised their voting rights unanimously at all shareholders' general meetings of Pak Fai and Ma Yau on all major affairs.

Pursuant to the Concert Party Deed, Mr. Adam Cheung and Ms. LC Cheung undertook that (i) they shall actively cooperate with each other and acting in concert with an aim to achieve consensus and concerted action on all activities relevant to the operation of each member of our Group and major affairs relating to our Group; (ii) they shall continue to act in concert to exercise collective control in their capacities as Shareholders in respect of such shareholding interests in our Company; (iii) when exercising their voting rights at the shareholders' meetings of each member of our Group, they shall vote, or procure any entities and trusts controlled by them to vote unanimously in accordance with the consensus achieved among them; (iv) prior to voting on any resolutions in shareholders' meeting of each member of our Group, they shall discuss the relevant matters with one another with a view to reaching consensus and a unanimous vote, and decisions based on the consensus achieved in the shareholders' meetings of each member of our Group shall not be challenged by any of them for any reason; and (v) they shall cooperate with each other to obtain and maintain the consolidated control and the management of our Group.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders and Directors has confirmed that, he/she/it does not have and their respective close associates do not have interest in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Financial independence

We have our own independent accounting and finance team and make financial decisions according to our own business needs. During the Track Record Period, our Group had banking facilities that were secured by, among others, a personal guarantees executed by Mr. Adam Cheung, being one of our Controlling Shareholders, details of which are set out in the paragraph headed "Financial Information — Indebtedness — Bank facilities" in this prospectus. Our Directors confirmed that our bank borrowings under the banking facilities which involve the guarantee under the SME Financing Guarantee Scheme will be repaid before Listing. For the remaining bank facilities, the personal guarantees will be released and replaced by corporate guarantees from our Company upon Listing and a charge on deposit covering an amount of HK$3.0 million plus all interest thereon.

Based on the above, we are financially independent of our Controlling Shareholders and their respective close associates. Our Directors believe that, upon Listing, our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

Operational independence

Having considered that (a) we have established our own operational structure comprising individual teams, each with specific areas of responsibilities; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; and (c) we have not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates. Accordingly, our Directors consider that our Group's business operation to be independent from our Controlling Shareholders and their respective close associates.

Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of six members, comprising of three executive Directors and three independent non-executive Directors. Our Controlling Shareholders have certain family relationships with our executive Directors as set out in the section headed "Directors and senior management" in this prospectus. Despite such relationships, we consider that our Board and team of management will function independently because:

(a) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;

(c) with three independent non-executive Directors out of a total of six Directors in our Board, there will be a sufficiently robust and independent voice to the decision-making process of our Board to protect the interests of our independent Shareholders; and

(d) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

(a) compliance with the Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;

(b) appointment of Grande Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;

(c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the meetings of the Board on matters in which such Director or his/her close associates have an actual or potential material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors; and

(d) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. We believe our independent non-executive Directors possess the qualification, integrity and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in the section headed "Directors and senior management" in this prospectus.

CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing, we entered into certain transactions with parties who will, upon Listing, become our connected persons within the meaning given in Chapter 14A of the Listing Rules. After the Listing, we will continue the following transactions with these parties and such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Details of these transactions are set out in this section below.

RELEVANT CONNECTED PERSONS

The following relevant persons will be our connected persons as defined under the Listing Rules upon Listing:

(i) Mr. Adam Cheung, who is the chairman of the Board, the chief executive officer of our Company and an executive Director and a Controlling Shareholder;

(ii) Mr. Cheung King Hin (張敬軒), who is (a) the son of Mr. Adam Cheung, (b) the cousin of Mr. Ng Sheung Chung, an executive Director, (c) the cousin of Mr. Ma Kan Sun, an executive Director, and (d) the nephew of Ms. LC Cheung, a Controlling Shareholder;

(iii) Mr. Ng Sheung Shun (伍尚信), who is (a) the nephew of Mr. Adam Cheung, (b) the brother of Mr. Ng Sheung Chung, an executive Director, (c) the cousin of Mr. Ma Kan Sun, an executive Director, and (d) the nephew of Ms. LC Cheung, a Controlling Shareholder; and

(iv) Mr. Wu Siu Ting (胡兆霆), who is (a) the nephew of Mr. Adam Cheung, (b) the cousin of Mr. Ng Sheung Chung, an executive Director, (c) the cousin of Mr. Ma Kan Sun, an executive Director, and (d) the nephew of Ms. LC Cheung, a Controlling Shareholder.

Accordingly, the following transactions with Mr. Adam Cheung, Mr. Cheung King Hin, Mr. Ng Sheung Shun and Mr. Wu Siu Ting which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Lease of office in Hong Kong

(a) Description of the transaction

Pak Fai, as tenant, and Mr. Adam Cheung, as landlord, entered into a tenancy agreement dated 19 February 2019 ("**Tenancy Agreement**"), for the rental of a property located at Room 7, 13/F, Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon, Hong Kong with an aggregate floor area of approximately 293 sq. ft. and is used as an office. The reason for leasing such premises is the need for additional space for our back-office needs and its proximity to our headquarters.

The term of the tenancy is from 1 January 2019 to 31 December 2019, with a rental of HK$11,720 per month (exclusive of management fee and air-conditioning charges) payable in advance. The rent under the Tenancy Agreement was determined after arm's length negotiations between the parties thereto with reference to the market rent payable for comparable premises and is in line with the market level.

(b) Historical transaction amounts and annual caps on future transaction amounts

For the three months ended 31 March 2019 the total rental paid by us to Mr. Adam Cheung was approximately HK$35,000.

The annual rental payable by us to Mr. Adam Cheung for FY2019, FY2020 and FY2021 is not expected to exceed HK$141,000, nil and nil respectively. In arriving at the above annual caps, our Directors have considered the prevailing market rates, namely the rental payable for similar properties to be leased by an independent third party of similar locations.

(c) Confirmation from the property valuer concerning the Tenancy Agreement

Valtech Valuation Advisory Limited, the independent third party property valuer, has reviewed the Tenancy Agreement and confirmed that, (i) the duration for the Tenancy Agreement is within normal business practice for contracts of such types and the terms of Tenancy Agreement are on normal commercial terms; and (ii) the rents payable for the property under the Tenancy Agreement reflect the prevailing market rates and are fair and reasonable.

Employment of Mr. Cheung King Hin, Mr. Ng Sheung Shun and Mr. Wu Siu Ting

(a) Description of the transactions

We employed certain connected persons in our operations which will continue on and after Listing.

On 1 October 2018, Mr. Cheung King Hin (張敬軒) ("**CKH**") entered into a written employment agreement with Pak Fai, pursuant to the terms of which CKH was employed by Pak Fai as an environmental manager ("**CKH Employment Agreement**"). We expect CKH shall continue to be employed by us as an environmental manager upon and following the Listing.

On 1 March 1997, Mr. Ng Sheung Shun (伍尚信) ("**NSS**") entered into a written site management agreement with Pak Fai, pursuant to the terms of which NSS was employed by Pak Fai as a site foreman ("**NSS Employment Agreement**"). He was later promoted to the position of deputy site agent of Pak Fai. We expect NSS shall continue to be employed by us as a deputy site agent upon and following the Listing.

On 1 June 2008, Mr. Wu Siu Ting (胡兆霆) ("**WST**") entered into a written site management agreement with Pak Fai, pursuant to the terms of which WST was employed by Pak Fai as a site foreman ("**WST Employment Agreement**"). He was later promoted to the position of deputy site agent of Pak Fai. We expect WST shall continue to be employed by us as a deputy site agent upon and following the Listing.

(b) Historical transactions amounts and annual caps on future transaction amounts

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the aggregate remuneration paid by us to CKH, NSS and WST were approximately HK$695,000, HK$706,000, HK$970,000 and HK$580,000, respectively.

Our Directors estimate that the aggregate annual salary (excluding any discretionary bonus) payable to CKH, NSS and WST shall not exceed HK$1.5 million for each of FY2019, FY2020 and FY2021, as determined by our Directors with reference to the contractual amount payable to each of them under their respective agreements, the historical transactions amounts did not fully reflect the salary of CKH who only started in October 2018 and the expected increase(s) in their respective salaries during the relevant periods.

LISTING RULES IMPLICATIONS

Since the applicable percentage ratios (other than the profits ratio) for each of the above transactions are less than 5%, with annual aggregated values below HK$3,000,000, each of the transactions constitutes a de minimis continuing connected transaction, which is exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

In respect of the Tenancy Agreement, our Directors (including the independent non-executive Directors) consider that (i) it is in our Group's interest to continue the continuing connected transactions under the Tenancy Agreement as described above; (ii) taking into consideration of the view from the independent third party property valuer, that the terms of the Tenancy Agreement are fair and reasonable and the rental payment thereunder reflect the prevailing market rate, all such continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of the business of our Group and have been based on arm's length negotiations and on normal commercial terms or better that are fair and reasonable; and (iii) such transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

In respect of the CKH Employment Agreement, the NSS Employment Agreement and the WST Employment Agreement, our Directors (including our independent non-executive Directors) have confirmed that the terms of each of the above employment contracts were entered into, and conducted, on normal commercial terms or better, and in the interests of our Company and Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who are/will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/Nature of interest	Number of Shares held as at the date of the submission of application for Listing *(Note 1)*	Approximate percentage of shareholding in the Company as at the date of the submission of application for Listing	Number of Shares held/ interested immediately after completion of the Share Offer and the Capitalisation Issue *(Note 1)*	Approximate percentage of interests in our Company immediately after completion of the Share Offer and the Capitalisation Issue
Wonderful Renown	Beneficial owner	10,000	100%	1,950,000,000	75%
Mr. Adam Cheung	Interest in a controlled corporation *(Note 2)*	—	—	1,950,000,000	75%
Ms. Chan Shui King	Interest of spouse *(Note 3)*	—	—	1,950,000,000	75%
Ms. LC Cheung	Interests held jointly with other persons *(Note 4)*	—	—	1,950,000,000	75%

Notes:

1. All interests stated are long positions.

2. Wonderful Renown is beneficially owned as to 84% by Mr. Adam Cheung and 16% by Ms. LC Cheung. By virtue of the SFO, Mr. Adam Cheung is deemed to be interested in all the Shares held by Wonderful Renown. Mr. Adam Cheung is the brother of Ms. LC Cheung.

3. Ms. Chan Shui King is the spouse of Mr. Adam Cheung. Accordingly, Ms. Chan Shui King is deemed or taken to be interested in the Shares Mr. Adam Cheung is interested in under the SFO.

4. Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown will together control 75% of the entire issued share capital of our Company. By virtue of the SFO, Ms. LC Cheung is deemed to be interested in the Shares held by Wonderful Renown.

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), has an interest or short position in the Shares or the 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, directly or indirectly, be 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 member of our Group.

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme):

Authorised share capital		*HK$*
4,000,000,000	Shares of par value HK$0.01 each	40,000,000

Shares issued and fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue

10,000	Shares in issue as at the date of this prospectus	100
1,949,990,000	Shares to be issued pursuant to the Capitalisation Issue	19,499,900
650,000,000	Shares to be issued pursuant to the Share Offer	6,500,000
2,600,000,000	Total issued Shares	26,000,000

ASSUMPTIONS

The above table assumes that the Share Offer and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase the Shares as referred to below.

MINIMUM PUBLIC FLOAT

At least 25% of the total issued share capital of our Company must at all times be held by the public. The 650,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares are ordinary shares and will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid on Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolution of the then sole Shareholder passed on 22 July 2019, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Capitalisation Issue was approved and our Directors are authorised to allot and issue a total of 1,949,990,000 Shares (or such number of Shares any one Director may determine), credited as fully paid at par, to the holder(s) of Shares on the register of members or the principal share register of our Company at the close of business on 22 July 2019 as nearly as possible in proportion to their then existing shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of Share) by way of capitalisation of the sum of HK$19,499,900 (or any amount any one Director may determine) standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the total number of Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders shall not exceed:

(a) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by our Company, if any, pursuant to the general mandate to repurchase Shares referred to in the paragraph headed "General mandate to repurchase Shares" in this section below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or in lieu of the whole or part of a dividend on our Shares or similar arrangement in accordance with the Articles.

This general mandate to issue Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the date by which the next annual general meeting of our Company is required by Articles or any applicable laws to be held; or

(c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to issue Shares, please refer to the paragraph headed "Further information about our Company and its subsidiaries — 3. Resolutions in writing of the then sole Shareholder passed on 22 July 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of Shares in issue following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Further information about our Company and its subsidiaries — 6. Repurchase of our own securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

(c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors.

For further details of this general mandate to repurchase shares, please refer to the paragraph headed "Further information about our Company and its subsidiaries — 3. Resolutions in writing of the then sole Shareholder passed on 22 July 2019" in Appendix IV to this prospectus.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "Other information — 1. Share Option Scheme" in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting of our Company are required under Cayman Islands law are provided in our Articles of Association and the Companies Law. For a summary, please refer to Appendix III to this prospectus.

You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set forth in the Accountants' Report set out in Appendix I to this prospectus. Our Group's consolidated financial statements have been prepared in accordance with the HKFRS. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections will depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.

OVERVIEW

We principally perform wet trades works and other wet trades related ancillary works as a subcontractor in Hong Kong. Our services are principally undertaken by Pak Fai and Ma Yau, our key operating subsidiaries. Our wet trades works include plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works. For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, our Group derived revenue of approximately HK$152.0 million, HK$245.0 million, HK$431.8 million and HK$139.4 million from wet trades works and other wet trades related ancillary works, respectively.

During the Track Record Period and up to the Latest Practicable Date, we completed 31 wet trades projects with a total contract sum of approximately HK$687.5 million. As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with contract value on hand of approximately HK$343.5 million.

For further information about our business and operations, please refer to the section headed "Business" in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including, in particular, following:

Our revenue is mainly derived from projects which are non-recurrent in nature and any significant decrease in the number of our projects would affect our operations and financial results

During the Track Record Period, our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. We generally submit new tenders or bid for new contracts from time to time and there is a risk that we may not succeed in tendering for new projects upon the expiry of our contract. Our revenue which depends on the market demand for wet trades works, is derived from contracts awarded through competitive tendering and is not recurring in nature. Market demand for our services is mainly affected by the number of public and private buildings in Hong Kong and other macroeconomic factors. We cannot assure you that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

Fluctuation in our subcontracting fees

Subcontracting fees represent a significant portion of our costs of services. During the Track Record Period, subcontracting fees accounted for approximately 89.0%, 91.3%, 92.6% and 91.2% of our costs of services for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively. In case of any significant increase in the subcontracting fees, and if our Group is unable to pass on such increase to our customers, our business and profitability may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's subcontracting fees on our Group's profit before taxation during the Track Record Period. We considered reasonable to adopt 0.8% and 15.2% as the hypothetical fluctuation rates for subcontracting fees for the purpose of this sensitivity analysis which correspond to the approximate minimum and maximum percentage changes in the average daily wage rate of wet trades workers in Hong Kong from 2014 to 2018 as stated in the Industry Report.

Hypothetical fluctuations in subcontracting fees	-0.8%	-15.2%	+0.8%	+15.2%
Increase/(decrease) in profit before taxation *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
FY2016	968	18,383	(968)	(18,383)
FY2017	1,585	30,113	(1,585)	(30,113)
FY2018	2,808	53,360	(2,808)	(53,360)
For the three months ended 31 March 2019	891	16,935	(891)	(16,935)

Note: Our profit before taxation was approximately HK$13.6 million, approximately HK$25.3 million, approximately HK$48.4 million and approximately HK$5.6 million for each of FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively.

Accuracy in the estimation of costs involved in projects when determining tender price

Construction contracts are normally awarded through a competitive tendering process. We determine a tender price by estimating the construction costs under the contract duration as specified in the tender invitation documents. There is no assurance that tenders submitted by us contain no mistake and error. Such mistakes and errors may be in the form of inaccurate estimation, oversight of important tender terms, inadvertent typographical errors, errors in calculations, etc. In case of contracts awarded to us with mistakes or errors in the submitted tender, we may be bound by the contract to undertake the project at a substantial loss.

Timing of collection of our trade receivables and retention receivables

We receive progress payment from our customers pursuant to the respective contractual terms. In general, we normally submit payment applications to our customers on a bi-weekly or monthly basis. If the customer is satisfied with the payment application, a payment certificate will be issued to us and payment will be subsequently made. There can be no assurance that we will be paid on time. Furthermore, dispute may arise between us and our customer as to the value of work properly done in a particular period, and the progress payment that we are entitled to receive accordingly.

As at 31 March 2019, our trade receivables balance amounted to approximately HK$26.8 million and our retention receivables amounted to approximately HK$22.9 million. Any failure by our customers to make payment to our Group on a timely basis may have an adverse effect on our liquidity, cash flow and financial performance.

Performance and availability of the subcontractors

We subcontracted different types of works to different subcontractors. There is no assurance that our subcontractors will always follow strictly all of our instructions. Outsourcing exposes our Group to the risks associated with non-performance, delay in project completion or quality issues concerning the works done by our Group's subcontractors. As a result, we may incur additional time or costs or be subject to liability under the relevant contracts between our Group and our customers for the subcontractors' unsatisfactory performance. Such events could impact upon our profitability, financial performance and reputation. Furthermore, our subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our business relationship with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. In addition, there is no assurance that we will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our operation and financial performance may also be adversely affected.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Please refer to Note 2 of the Accountants' Report set out in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in Note 4 to the Accountants' Report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in Note 5 to the Accountants' Report set out in Appendix I to this prospectus.

Revenue recognition

Revenue from provision of wet trades works

Our Group provides wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, our Group is contractually required to perform the services at the customers' specified sites that our Group's performance creates or enhances an asset that the customer controls as our Group performs. Revenue from provision of such services is therefore recognised over time using input method, i.e. based on the actual costs incurred by our Group to date compares with the total budgeted cost for the project to estimate the revenue recognised during the period. The management of our Group considers that input method would faithfully depict our Group's performance towards complete satisfaction of these performance obligation under HKFRS 15. Our Directors consider that the adoption of HKFRS 15 has no significant impact on financial position and performance of our Group when compared to that of HKAS 11 Construction contracts and HKAS 18 Revenue.

Adoption of HKFRS 9

*Impairment under expected credit losses (being "**ECL**") model*

Our Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, amount due from a director and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition upon 1 January 2018.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Our Group always recognises lifetime ECL for trade receivables and contracts assets. The ECL on these assets are assessed individually for debtors based on internal credit rating, our Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, our Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, our Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Estimated impairment of trade receivables and contract assets

Prior to 1 January 2018, the management assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. If there is objective evidence that an impairment loss on trade receivables and contract assets has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Where the actual future cash flows are less than expected, including unbilled revenue where the actual collection of receivables upon billing to customers are less than expected, an impairment loss may arise.

As at 31 December 2016 and 2017, the carrying amounts of trade receivables were approximately HK$12.6 million and HK$23.8 million, respectively.

As at 31 December 2016 and 2017, the carrying amounts of the contract assets were approximately HK$26.0 million and HK$34.1 million, respectively. No allowance for doubtful debts has been provided at 31 December 2016 and 2017 and no impairment loss is recognised during FY2016 and FY2017.

Starting from 1 January 2018, our Group recognises lifetime ECL for trade receivables and contract assets using individual assessment, based on the internal credit rating, our Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018 and 31 March 2019, the carrying amounts of trade receivables were approximately HK$31.2 million and HK$26.8 million, respectively (net of impairment loss allowance of HK$463,000 and HK$125,000, respectively) whereas the carrying amounts of contract assets were HK$83.6 million and HK$102.2 million, respectively (net of impairment loss allowance of approximately HK$894,000 and HK$1.1 million). During FY2018, impairment loss, net of reversal, are recognised and charged to profit or loss in respect of trade receivables and contract assets of approximately HK$78,000 and HK$248,000, respectively.

For the three months ended 31 March 2019, reversal of impairment losses of approximately HK$338,000 and impairment losses of approximately HK$250,000, net of reversal, were recognised and credited or charged to profit or loss in respect of trade receivables and contract assets, respectively.

Our Directors consider that the adoption of HKFRS 9 has no significant impact on our financial position and performance when compared to that of HKAS 39.

SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of profit or loss and other comprehensive income for FY2016, FY2017, FY2018 and the three months ended 31 March 2018 and 2019 are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus:

Consolidated statements of profit or loss and other comprehensive income

				For the three months ended 31 March	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	151,978	245,034	431,819	91,260	139,409
Costs of services	(135,955)	(217,089)	(378,953)	(80,340)	(122,138)
Gross profit	16,023	27,945	52,866	10,920	17,271
Other income	154	162	821	270	12
(Decrease)/increase in fair value of an investment property	(60)	490	730	—	—
(Allowance for) reversal of impairment losses	—	—	(326)	659	88
Administrative expenses	(2,424)	(3,040)	(3,588)	(745)	(1,728)
Finance costs	(82)	(253)	(82)	(5)	(90)
Listing expenses	—	—	(2,024)	—	(9,924)
Profit before taxation	13,611	25,304	48,397	11,099	5,629
Income tax expense	(2,217)	(4,034)	(8,076)	(1,680)	(2,408)
Profit and total comprehensive income for the year/period	11,394	21,270	40,321	9,419	3,221

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our Group's revenue was derived from performing wet trades works and other wet trades related ancillary works as a subcontractor. For detailed breakdowns of our revenue during the Track Record Period by our building type (residential, commercial or public infrastructure), types of projects and number of projects, please refer to the sections headed "Business — Overview" and "Business — Our Projects" in this prospectus.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the discussion of the change in the amount of our revenue during the Track Record Period.

The transaction price allocated to the remaining performance obligation for contracts with customers that remain outstanding as at 31 December 2016, 2017, 2018 and 31 March 2019 was approximately HK$33.2 million, HK$263.3 million, HK$359.8 million and HK$459.6 million, respectively. The ending contract value on hand as at the Latest Practicable Date was approximately HK$343.5 million. For details of the movement of backlog of our projects during the Track Record Period and up to the Latest Practicable Date, please refer to the section headed "Business — Our Projects" in this prospectus. The difference of HK$116.1 million between the amount of the transaction price allocated that are unsatisfied as at 31 March 2019 of approximately HK$459.6 million; and the ending contract value on hand as at the Latest Practicable Date of approximately HK$343.5 million is due to the new contracts awarded and the new variation orders agreed and confirmed during the period from 1 April 2019 to the Latest Practicable Date the details of which are set out below:

	From 1 April 2019 to the Latest Practicable Date *(HK$'000)*
Original contract sum of new contracts awarded	48,204
Variation orders agreed and confirmed	22,196
Revenue recognised	(186,456)
	(116,056)

Costs of services

The table below sets forth a breakdown of our costs of services during the Track Record Period:

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Subcontracting fees	120,939	89.0	198,113	91.3	351,054	92.6	75,270	93.7	111,413	91.2
Materials and toolings	4,345	3.2	10,719	4.9	12,820	3.4	2,088	2.6	4,456	3.6
Direct labour costs	4,477	3.3	4,629	2.1	6,983	1.8	2,099	2.6	4,027	3.3
Rental of machinery and equipment	1,427	1.0	678	0.3	714	0.2	51	0.1	449	0.4
Other costs	4,767	3.5	2,950	1.4	7,382	2.0	832	1.0	1,793	1.5
	135,955	100.0	217,089	100.0	378,953	100.0	80,340	100.0	122,138	100.0

Our costs of services during the Track Record Period comprised:

(a) Subcontracting fees

Being the largest component of our costs of services during the Track Record Period, subcontracting fees represent the costs for engaging subcontractors for carrying out wet trades works and other wet trades related ancillary works undertaken by us. For further details of the subcontractors, please refer to the section headed "Business — Subcontractors" in this prospectus.

(b) Materials and toolings

It represents the costs of construction materials and toolings used for performing wet trades works and other wet trades related ancillary works. The materials we used mainly comprise base plaster, tile adhesive, cement, sand brick and aggregates, while the toolings we used mainly comprise personal protective equipment, parts for plaster spray machines and wet trades works ancillary tools.

(c) Direct labour costs

It represents our salaries and benefits provided to our staff who were involved in carrying out wet trades works and other wet trades related ancillary works. We have 11, 12, 29 and 30 direct labour as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, who are directly related to the provision of wet trades works and other wet trades related ancillary works.

(d) Rental of machinery and equipment

It represents costs in relation to rental of machinery and equipment necessary for carrying out our construction works from external machinery and equipment rental service providers.

(e) Other costs

It represents various miscellaneous expenses relevant to the provision of our works. For instance, contra charge such as costs in relation to works performed by workers arranged by our customers and costs in relation to alternation in works performed in contracts, repair and maintenance, safety consultancy fee and transportation cost.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our costs of services.

Other income

The table below sets forth a breakdown of our other income during the Track Record Period:

				For the three months ended 31 March	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Rental income	154	162	135	40	—
Government subsidy	—	—	670	228	—
Sundry income	—	—	16	2	12
	154	162	821	270	12

Our other income during the Track Record Period mainly comprised:

(a) Rental income

It represents the rental income from leasing of our Group's owned property, which is a warehouse, to a tenant, which is an independent third party from FY2016 up to 31 October 2018.

(b) Government subsidy

It mainly represents subsidy from Construction Industry Council's Employment Subsidy Scheme for training wet trades workers, all are compensations for incurred expenses.

(Decrease)/increase in fair value of an investment property

Our investment property which is held to generate rental income was measured using fair value model. The fair value of our Group's investment property as at FY2016, FY2017 and FY2018 has been arrived at on the basis of a valuation carried out on the respective dates by an independent qualified professional valuer. We did not have any investment property since 1 November 2018.

During FY2016, FY2017 and FY2018, we recorded decrease in fair value of our investment property of approximately HK$60,000, increase in fair value of our investment property of approximately HK$490,000 and HK$730,000, respectively.

(Allowance for) reversal of impairment losses

Our (allowance for) reversal of impairment losses represent the impairment losses, net of reversal arising from the trade receivables and contracts assets. Upon the application of HKFRS 9 on 1 January 2018, our Group recognized loss allowance for ECL on trade receivables and contract assets. For details of the ECL, please refer to the paragraph headed "Loss allowance of trade receivables and contract assets" in this section.

During FY2018, our Group recognized impairment loss allowance of approximately HK$443,000 and HK$355,000 on trade receivables and contract assets, respectively, which was partly offset by the impairment loss allowance reversal of approximately HK$365,000 and HK$107,000 on trade receivables and contract assets, respectively. Hence, we recorded impairment losses, net of reversal of approximately HK$326,000 in aggregate.

During the three months ended 31 March 2019, our Group recognized impairment loss allowance of approximately HK$6,000 and HK$406,000 on trade receivables and contract assets, respectively, which was partly offset by the impairment loss allowance reversal of approximately HK$344,000 and HK$156,000 on trade receivables and contract assets, respectively. Hence, we recorded impairment losses, net of reversal of approximately HK$88,000 in aggregate.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

							For the three months ended 31 March			
	FY2016		**FY2017**		**FY2018**		**2018** (Unaudited)		**2019**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs (including directors' emoluments)	1,552	64.0	1,866	61.4	1,823	50.8	449	60.3	1,086	62.8
Entertainment	360	14.9	515	16.9	503	14.0	120	16.1	181	10.5
Legal and professional fee	80	3.3	145	4.8	586	16.3	60	8.1	193	11.2
Rental expenses	9	0.4	30	1.0	126	3.5	33	4.4	52	3.0
Depreciation	95	3.9	88	2.9	103	2.9	21	2.8	47	2.7
Insurance	116	4.8	105	3.5	100	2.8	—	—	21	1.2
Other expenses	212	8.7	291	9.5	347	9.7	62	8.3	148	8.6
	2,424	100.0	3,040	100.0	3,588	100.0	745	100.0	1,728	100.0

Our administrative expenses during the Track Record Period comprised:

(a) Staff costs (including directors' emoluments)

It represents the salaries and benefits provided to our Directors and our administrative and back office staff.

(b) Entertainment

It represents costs in relation to the relationship building with existing and potential customers.

(c) Legal and professional fee

It represents mainly the general legal consultation fee, safety consultation fee, ISO assessment fee and audit fee.

(d) Rental expenses

It represents the rental expenses for our Group's leased office and warehouse.

(e) Depreciation

It represents the depreciation of leasehold land and buildings, fixtures, machinery and equipment and office equipment.

(f) Insurance

It represents the insurance premiums for insurance policies maintained by our Group.

(g) Other expenses

It represents other administrative expenses, such as accounting fees, printing and stationary, transportation, cleaning expenses and utilities.

Finance costs

The table below sets forth a breakdown of our finance costs during the Track Record Period:

	FY2016		FY2017		FY2018		For the three months ended 31 March 2018 (Unaudited)		2019	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Interest on										
— bank overdrafts	82	100.0	253	100.0	14	17.1	5	100.0	44	48.9
— bank borrowings	—	0.0	—	0.0	68	82.9	—	—	46	51.1
	82	100.0	253	100.0	82	100.0	5	100.0	90	100.0

Our finance costs during the Track Record Period represented interest expenses on obligations under our bank overdrafts and bank borrowings, details of which are disclosed in the paragraph headed "Indebtedness" in this section.

Income tax expense

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the Track Record Period except for the nine months ended 31 December 2018 for which the two-tiered profits tax rates regime was applicable to our Group.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation as follows:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2018	For the three months ended 31 March 2019
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	13,611	25,304	48,397	11,099	5,629
Tax at applicable tax rate of 16.5%	2,246	4,175	7,986	1,831	929
Tax effect of income not taxable for tax purpose	—	(81)	(120)	—	—
Tax effect of expenses not deductible for tax purpose	11	—	375	—	1,644
Tax effect of tax losses not recognised	—	—	—	14	—
Tax concession	(40)	(60)	—	—	—
Tax effect on two-tiered tax rate	—	—	(165)	(165)	(165)
Taxation for the year/period	2,217	4,034	8,076	1,680	2,408

During the Track Record Period, our effective tax rates (calculated as income tax expense for the year/period divided by profit before taxation and listing expenses) were as follows:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2018	For the three months ended 31 March 2019
				(Unaudited)	
Effective tax rates	16.3%	15.9%	16.0%	15.1%	15.5%

Tax refiling of Pak Fai and Ma Yau for year of assessment 2015/2016, 2016/2017 and 2017/2018 (the "Relevant Period") pursuant to the prior year adjustments made for these financial years

In preparing the audited consolidated financial statements, we have identified certain prior year adjustments ("PYAs"), in particular, we noted that the previous accounting practice of recognition of construction revenue and costs, and change in fair value of investment property do not substantially align with the market practice and the prevailing generally accepted accounting principles. Certain misstatements were found for the Relevant Period.

As a result, the management restated the financial statements of Pak Fai and Ma Yau and their respective opening balance for the Relevant period. The restatements to the financial statements for the Relevant Period were mainly due to (i) cut-off adjustments on contract revenue and costs related to the projects delivered in the years prior to year of assessment 2018/19; (ii) the adjustments on change in fair value of investment properties; (iii) the understatements of depreciation expenses of property, plant and equipment; and (iv) certain adjustments or reclassification of various expenses.

Details of the PYAs for each of Pak Fai and Ma Yau and the impact on the assessable profits for each year are summarized below:

Pak Fai

Year of assessment	Assessable profits reported	Revised assessable profits	Increase/ (decrease) in assessable profits	Additional tax payable/ (refundable)
	HK$	*HK$*	*HK$*	*HK$*
2015/16	361,128	3,412,019	3,050,891	13,329
2016/17	14,099,421	12,718,747	(1,380,674)	242,257
2017/18	24,838,406	22,954,251	(1,884,155)	(310,885)
			Net additional tax refundable:	(55,299)

Ma Yau

Year of assessment	Assessable profits reported	Revised assessable profits	Increase/ (decrease) in assessable profits	Additional tax payable/ (refundable)
	HK$	*HK$*	*HK$*	*HK$*
2015/16	251,896	7,639,136	7,387,240	190,101
2016/17	1,067,160	1,193,883	126,723	176,990
2017/18	1,041,837	865,758	(176,079)	112,850
			Net additional tax payable:	479, 941

To rectify the tax positions of Pak Fai and Ma Yau due to the PYAs, we have prepared and submitted the revised profits tax computations for the Relevant Period to voluntarily inform the Inland Revenue Department of the profits understated/overstated in prior years. The revised profits tax computations have been submitted to the Inland Revenue Department on 8 March 2019.

Our Directors, after consultation with relevant tax representative, are of the view that the likelihood that the Inland Revenue Department imposing penalty on Pak Fai and Ma Yau and our Directors in respect of the PYAs, pursuant to the Inland Revenue Ordinance is rather low. Even in the event that the Inland Revenue Department does wish to impose penalty, our Directors, based on consultation with tax representative, are of the view that Pak Fai and Ma Yau would likely be subject to a penalty loading of 10% plus commercial restitution, which would be approximately HK$45,011 for Pak Fai and HK$87,691 for Ma Yau.

Further, our Directors confirm that there is no deliberate concealment of tax affairs of Pak Fai and Ma Yau, which may cast any doubt on the integrity of our directors.

Measures to ensure ongoing compliance of the applicable tax regulations

In order to ensure the ongoing compliance of the applicable tax regulations, our Group (i) will continue to monitor our accounting policy and the application of the relevant accounting principles in our books of record; (ii) will engage an internationally recognised accounting firm for auditing the consolidated financial statements of our Company going forward; (iii) will establish an audit committee upon Listing, of which the chairman will be an independent non-executive Director with experience and competence in the accounting and financial areas and one of the primary roles is to review the effectiveness of the internal audit activities, internal controls and risk management systems; and (iv) assign Mr. Tsui Chun Hung ("Mr. Tsui"), our Company's financial controller, to be responsible for the review, on a regular basis, of the Group's compliance with relevant laws and regulations and, where appropriate, consult an independent tax adviser. For details of the qualifications and work experience of Mr. Tsui, please refer to the section headed "Directors and senior management" in this prospectus. Our Directors are of the view that the above measures are sufficient and effective to ensure the ongoing compliance of the applicable tax regulations.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended 31 March 2019 compared with three months ended 31 March 2018

Revenue

Our revenue increased by approximately HK$48.1 million or 52.8%, from approximately HK$91.3 million for the three months ended 31 March 2018 to approximately HK$139.4 million for the three months ended 31 March 2019. The increase in the revenue was mainly driven by the revenue contributed by some of our existing sizable projects. For instance, (i) project P47, a residential project in Tuen Mun, which contributed revenue of approximately HK$22.5 million; (ii) project P40, a residential project in Tin Shui Wai, which contributed revenue of approximately HK$20.9 million; (iii) project P34, a residential project in Tai Po, which contributed revenue of approximately HK$13.6 million; and (iv) project P31, a residential project in To Kwa Wan, which contributed revenue of approximately HK$11.5 million (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects —'Projects on hand'" in this prospectus).

Such sizable projects being undertaken by our Group was mainly contributed by the increasing number of tender invitations received and projects awarded to us during the Track Record Period.

According to the Industry Report, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. In view of that, the demand for high quality wet trades works by the property developers has been increased in order to fulfill the interior design and inspection requirement. We believe that due to our proven track record of high quality works in the wet trades works industry as discussed in the section headed "Business — Competitive Strengths" in this prospectus, the demand for our services has been increased. Hence, increasing number of tender invitations as well as awarded projects were being recorded by our Group. Details of the number of tender invitations and tenders being awarded were disclosed in the section headed "Business — Operation flow — Our tender success rate" in this prospectus.

Costs of services

Our costs of services increased by approximately HK$41.8 million or 52.0%, from approximately HK$80.3 million for the three months ended 31 March 2018 to approximately HK$122.1 million for the three months ended 31 March 2019. Our costs of services mainly include subcontracting fees, materials and toolings, direct labour costs, rental of machinery and equipment and other costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. Depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

The following is a discussion of the changes in the key components of our costs of services in the three months ended 31 March 2019 compared with the three months ended 31 March 2018:

(i) Our subcontracting fees increased from approximately HK$75.3 million for the three months ended 31 March 2018 to approximately HK$111.4 million for the three months ended 31 March 2019, representing an increase of approximately 48.0%. Such increase was broadly in line with the increase in our revenue for the three months ended 31 March 2019 as discussed above.

(ii) Our costs of materials and toolings increased from approximately HK$2.1 million for the three months ended 31 March 2018 to approximately HK$4.5 million for the three months ended 31 March 2019, representing an increase of approximately 113.4%. Such increase was mainly attributable to the increase in amount of construction materials and toolings required as a result of the increase in our revenue for the three months ended 31 March 2019 as discussed above, in particular, substantial amount of construction materials and toolings was purchased by our Group in relation to our sizable project P65 during the three months ended 31 March 2019 (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Projects on hand'" in this prospectus).

(iii) Our direct labour costs increased from approximately HK$2.1 million for the three months ended 31 March 2018 to approximately HK$4.0 million for the three months ended 31 March 2019, representing an increase of approximately 91.9%. Such increase was mainly attributable to increase in our headcount, such as site foreman, quantity surveyors, etc, as we were awarded more projects after the three months ended 31 March 2018.

(iv) Our other costs increased from approximately HK$832,000 for the three months ended 31 March 2018 to approximately HK$1.8 million for the three months ended 31 March 2019, representing an increase of approximately 115.5%. Such increase was mainly attributable to increase in contra charge, such as costs in relation to works performed by workers arranged by our customers during the three months ended 31 March 2019.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$6.4 million or 58.2% from approximately HK$11.0 million for the three months ended 31 March 2018 to approximately HK$17.3 million for the three months ended 31 March 2019. Our gross profit margin increased from approximately 12.0% for the three months ended 31 March 2018 to approximately 12.4% for the three months ended 31 March 2019.

The increase in gross profit was primarily due to the increase in revenue as discussed above, while our gross profit margin remained broadly stable.

Other income

Our other income decreased from approximately HK$270,000 for the three months ended 31 March 2018 to approximately HK$12,000 for the three months ended 31 March 2019. The decrease for the three months ended 31 March 2019 was primarily due to the absence of rental income and government subsidy for the three months ended 31 March 2019.

Administrative expenses

Our administrative expenses increased by approximately HK$983,000 or 131.9% from approximately HK$745,000 for the three months ended 31 March 2018 to approximately HK$1.7 million for the three months ended 31 March 2019. The increase was mainly attributable to (i) the increase of administrative staff costs (including directors' emoluments) by approximately HK$637,000 due to the increase of our administration, accounting and finance staff who joined us during 2018 and the general increment in salaries and bonus for our directors and administrative, accounting and finance staff during the three months ended 31 March 2019; and (ii) the increase of legal and professional fee by approximately HK$133,000, such as safety consultation fee and ISO assessment fee.

Finance costs

Our finance costs increased by approximately HK$85,000 or 1,700.0% from approximately HK$5,000 for the three months ended 31 March 2018 to approximately HK$90,000 for the three months ended 31 March 2019. The increase in our finance costs for the three months ended 31 March 2019 was mainly due to an increase in the interests on bank overdrafts of approximately HK$39,000 and the increase in interest on bank borrowings of approximately HK$46,000, which was primarily driven by our business growth and increasing working capital needs to sustain our business operation.

Income tax expense

Our income tax expense increased by approximately HK$728,000 or 43.3% from approximately HK$1.7 million for the three months ended 31 March 2018 to approximately HK$2.4 million for the three months ended 31 March 2019. Such increase was mainly due to the tax effect of the non-deductible listing expenses incurred during the three months ended 31 March 2019, despite a lower amount of profit before tax for the three months ended 31 March 2019 compared to the three months ended 31 March 2018.

Profit and total comprehensive income for the period

As a result of the aforesaid and in particular the recognition of listing expenses during the three months ended 31 March 2019 and the tax effect of the non-deductible listing expenses, our profit and total comprehensive income for the period decreased by approximately HK$6.2 million or 65.8%, from approximately HK$9.4 million for the three months ended 31 March 2018 to approximately HK$3.2 million for the three months ended 31 March 2019.

FY2018 compared with FY2017

Revenue

Our revenue increased by approximately HK$186.8 million or 76.2%, from approximately HK$245.0 million for FY2017 to approximately HK$431.8 million for FY2018. The increase in the revenue was mainly driven by:

(i) the revenue contributed by some of our existing sizable projects. For instance, (i) project P18, a residential project in Tseung Kwan O, which contributed revenue of approximately HK$141.1 million; (ii) project P31, a residential project in To Kwa Wan, which contributed revenue of approximately HK$31.2 million; (iii) project P19, a commercial project in Shatin which contributed revenue of approximately HK$26.6 million; (iv) project P30, a residential project in Sai Ying Pun which contributed revenue of approximately HK$18.3 million (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus); and

(ii) the revenue contributed by some sizable projects undertaken or commenced in FY2018. For instance, (i) project P46, a residential project in Ma On Shan, which contributed revenue of approximately HK$18.8 million; (ii) project P47, a residential project in Tuen Mun, which contributed revenue of approximately HK$18.8 million; (iii) project P40, a residential project in Tin Shui Wai, which contributed revenue of approximately HK$17.5 million; (iv) project P36, a residential project in Tuen Man, which contributed revenue of approximately HK$14.5 million; (v) project P34, a residential project in Tai Po, which contributed revenue of approximately HK$14.3 million (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus).

Such sizable projects being undertaken by our Group was mainly contributed by the increasing number of tender invitations received and projects awarded to us during the Track Record Period.

According to the Industry Report, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. In view of that, the demand for high quality wet trades works by the property developers has been increased in order to fulfil the interior design and inspection requirement. We believe that due to our proven track record of high quality works in the wet trades works industry as discussed in the section headed "Business — Competitive Strengths", the demand for our services has been increased. Hence, increasing number of tender invitations as well as awarded projects were being recorded during FY2018. Details of the number of tender invitations and tenders being awarded were disclosed in the section headed "Business — Operation flow — Our tender success rate" in this prospectus.

Costs of services

Our costs of services increased by approximately HK$161.9 million or 74.6%, from approximately HK$217.1 million for FY2017 to approximately HK$379.0 million for FY2018. The increase was primarily driven by the increase in our revenue. Our costs of services mainly include subcontracting fees, materials and toolings, direct labour costs, rental of machinery and equipment, and other costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. Depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

The following is a discussion of the changes in the key components of our costs of services in FY2017 compared to FY2018:

(i) Our subcontracting fees increased from approximately HK$198.1 million for FY2017 to approximately HK$351.1 million for FY2018, representing an increase of approximately 77.2%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors as a result of the relatively sizeable projects that we undertook or commenced during FY2017.

(ii) Our costs of materials and toolings increased from approximately HK$10.7 million for FY2017 to approximately HK$12.8 million for FY2018, representing an increase of approximately 19.6%. Such increase was mainly attributable to the increase in amount of construction materials and toolings required as a result of the increase in our revenue for FY2018 as discussed above.

(iii) Our direct labour costs increased from approximately HK$4.6 million for FY2017 to approximately HK$7.0 million for FY2018, representing an increase of approximately 50.9%. Such increase was mainly attributable to increase in our headcount, such as workers, site foreman, quantity surveyors, etc, as we were awarded more projects during FY2018.

(iv) Our other costs increased from approximately HK$3.0 million for FY2017 to approximately HK$7.4 million for FY2018, representing an increase of approximately 150.2%. Such increase was mainly attributable to increase in contra charge, such as costs in relation to works performed by workers arranged by our customers during FY2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$24.9 million or 89.2% from approximately HK$27.9 million for FY2017 to approximately HK$52.9 million for FY2018. Our gross profit margin slightly increased from 11.4% for FY2017 to 12.2% for FY2018.

The increase in gross profit was primarily due to the increase in revenue as discussed above, while the increase in gross profit margin was primarily due to the increasing mark up being determined by us. As mentioned above, as we have been invited to submit tenders for a large number of projects due to our proven track record of high quality work in the wet trades works industry, our Directors consider that we can be able to charge a higher mark up for the projects due to the increasing demand of our services.

Other income

Other income increased from approximately HK$162,000 for FY2017 to HK$821,000 for FY2018. The increase in FY2018 was primarily due to subsidy of approximately HK$670,000 from the Construction Industry Council for training wet trades workers during FY2018.

Increase in fair value of investment property

The change in fair value of investment property increased from approximately HK$490,000 for FY2017 to approximately HK$730,000 for FY2018. The fair value of our investment property has been arrived at on the basis of a valuation carried out on the respective dates by an independent third party property valuer.

Administrative expenses

Our administrative expenses increased by approximately HK$548,000 or 18.0% from approximately HK$3.0 million for FY2017 to approximately HK$3.6 million for FY2018.

The increase was mainly attributed to (i) increase of legal and professional fee, such as general legal consultation fees, safety consultation fee, ISO assessment fee and audit fee by approximately HK$441,000; and (ii) increase of rental expenses by approximately HK$96,000 as we rented a new office since late 2017 due to our business expansion.

Finance costs

Our finance costs decreased by approximately HK$171,000 or 67.6% from approximately HK$253,000 for FY2017 to approximately HK$82,000 for FY2018. The decrease in our finance costs in FY2018 was primarily due to the decrease in interest on bank overdrafts of approximately HK$239,000, which was partly offset by the increase in interest on bank borrowings, which the borrowings was drawdown in late 2018, of approximately HK$68,000.

Income tax expense

Our income tax expense increased by approximately HK$4.0 million or 100.2% from approximately HK$4.0 million for FY2017 to approximately HK$8.1 million for FY2018. The increase was primarily due to the increase of our profit before taxation as a result of all of the aforesaid and in particular the increase in revenue and gross profit for FY2018.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit, our profit and total comprehensive income for the year increased by approximately HK$19.1 million or 89.6% from approximately HK$21.3 million for FY2017 to approximately HK$40.3 million for FY2018.

FY2017 compared with FY2016

Revenue

Our revenue increased by approximately HK$93.1 million or 61.2%, from approximately HK$152.0 million for FY2016 to approximately HK$245.0 million for FY2017. The increase in the revenue was mainly driven by:

(i) the revenue contributed by some of our existing sizable projects. For instance, (i) project P57, a commercial project in Ma On Shan, which contributed revenue of approximately HK$10.1 million; (ii) project P03, a residential project in Sheung Wan which contributed revenue of approximately HK$10.0 million (Project reference number corresponds with the table disclosed in the section headed “Business — Our projects — ‘Completed projects’ and ‘Projects on hand’” in this prospectus); and

(ii) the revenue contributed by some projects undertaken or commenced in FY2017. For instance, (i) project P18, a residential project in Tseung Kwan O, which contributed revenue of approximately HK$77.6 million; (ii) project P19, a commercial project in Shatin which contributed revenue of approximately HK$20.0 million; (iii) project P20, a public development in Lantau Island, which contributed revenue of approximately HK$21.5 million; (iv) project P22, a commercial project in Tin Shui Wai which contributed revenue of approximately HK$14.5 million (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus).

Such sizable projects being undertaken by our Group was mainly contributed by the increasing number of tender invitations received and projects awarded to us during the Track Record Period. According to the Industry Report, it is a key trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats. In view of that, the demand for high quality wet trades works by the property developers has been increased in order to fulfil the interior design and inspection requirement. We believe that due to our proven track record of high quality works in the wet trades works industry as discussed in the section headed "Business — Competitive Strengths" in this prospectus, the demand for our services has been increased. Hence, increasing number of tender invitations as well as awarded projects were being recorded during FY2017. Details of the number of tender invitations and tenders being awarded were disclosed in the section headed "Business — Operation flow — Our tender success rate" in this prospectus.

Costs of services

Our costs of services increased by approximately HK$81.1 million or 59.7%, from approximately HK$136.0 million for FY2016 to approximately HK$217.1 million for FY2017. The increase was primarily driven by the increase in our revenue. Our costs of services mainly include subcontracting fees, materials and toolings, direct labour costs, rental of machinery and equipment, and other costs. These costs may fluctuate from project to project and some of them are, to a certain extent, inter-related to each other. Depending on our contract terms with different customers, the costs of construction materials may be agreed to be borne by us or by our customers, resulting in fluctuations in the proportions of these costs from project to project.

The following is a discussion of the changes in the key components of our costs of services in FY2016 compared to FY2017:

(i) Our subcontracting fees increased from approximately HK$120.9 million for FY2016 to approximately HK$198.1 million for FY2017, representing an increase of approximately 63.8%. Such increase was mainly attributable to the increase in amount of works outsourced to subcontractors as a result of the relatively sizeable projects that we undertook or commenced during FY2017.

(ii) Our costs of materials and toolings increased from approximately HK$4.3 million for FY2016 to approximately HK$10.7 million for FY2017, representing an increase of approximately 146.7%. Such increase was mainly attributable to the increase in amount of construction materials and toolings required as a result of the increase in our revenue for FY2017 as discussed above, in particular, substantial amount of construction materials and toolings was purchased by our Group in relation to our sizeable projects such as project P20, P22 and P23 during FY2017 (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus).

(iii) Our direct labour costs increased from approximately HK$4.5 million for FY2016 to approximately HK$4.6 million for FY2017, representing an increase of approximately 3.4%. Such slight increase was mainly attributable to slight increase in our headcount of workers as we were awarded more projects during FY2017.

(iv) Our other costs decreased from approximately HK$4.8 million for FY2016 to approximately HK$3.0 million for FY2017, representing a decrease of approximately 38.1%. Such decrease was primarily due to (i) decrease in contra charge, such as alternation in works performed in contract of approximately HK$1.2 million; and (ii) decrease in safety consultation fee by approximately HK$529,000.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$11.9 million or 74.4% from approximately HK$16.0 million for FY2016 to approximately HK$27.9 million for FY2017. Our gross profit margin increased from 10.5% for FY2016 to 11.4% for FY2017.

The increase in gross profit was primarily due to the increase in revenue as discussed above, while the increase in gross profit margin was primarily due to:

(i) the increasing mark up being determined by us. As mentioned above, as we have been invited to submit tenders for a large number of projects due to our proven track record of high quality work in the wet trades works industry, our Directors consider that we can be able to charge a higher mark up for the projects due to the increasing demand of our services; and

(ii) the additional variation orders received by us, which were charged at a relatively higher rate.

Other income

Other income was relatively stable at approximately HK$154,000 in FY2016 and HK$162,000 in FY2017.

(Decrease)/increase in fair value of investment property

The change in fair value of investment property increased from a fair value loss of approximately HK$60,000 for FY2016 to a fair value gain of approximately HK$490,000 for FY2017. The fair value of our investment property has been arrived at on the basis of a valuation carried out on the respective dates by an independent third party property valuer.

Administrative expenses

Our administrative expenses increased by approximately HK$616,000 or 25.4% from approximately HK$2.4 million for FY2016 to approximately HK$3.0 million for FY2017. The increase was mainly attributed to (i) increase in administrative staff costs (including directors' emoluments) by approximately HK$314,000 due to increase of the administrative staff who joined us during 2017 (including those who have joined us and left during 2017); and (ii) increase in entertainment expense by approximately HK$155,000.

Finance costs

Our finance costs increased by approximately HK$171,000 or 208.5% from approximately HK$82,000 for FY2016 to approximately HK$253,000 for FY2017. The increase in our finance costs in FY2017 was primarily due to the increasing interest on bank overdrafts throughout FY2017, as we utilised the bank overdrafts as working capital.

Income tax expense

Our income tax expense increased by approximately HK$1.8 million or 82.0% from approximately HK$2.2 million for FY2016 to approximately HK$4.0 million for FY2017. The increase was primarily due to the increase of our profit before taxation as a result of all of the aforesaid and in particular the increase in revenue and gross profit for FY2017.

Profit and total comprehensive income for the year

As a result of the aforesaid and in particular the increase in our revenue and gross profit, our profit and total comprehensive income for the year increased by approximately HK$9.9 million or 86.7% from approximately HK$11.4 million for FY2016 to approximately HK$21.3 million for FY2017.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have historically been our equity capital, cash generated from our operations and borrowings. Our primary liquidity requirements are to finance our working capital needs, and fund our capital expenditures and growth of our operations. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

As at 30 June 2019, being the latest practicable date for the purpose of the disclosure of our liquidity position, we had cash and bank balances of approximately HK$188.4 million and we had unutilised banking facilities of approximately HK$15.7 million available for cash drawdown.

Cash flows

The following table sets forth a summary of our cash flows for the Track Record Period:

				For the three months ended 31 March	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Operating cash flow before movement in working capital	13,974	25,318	48,386	10,547	5,799
Net cash from (used in) operating activities	725	19,175	(1,082)	17,445	(754)
Net cash from (used in) investing activities	492	(757)	(14,399)	(22,349)	7,192
Net cash (used in) from financing activities	(1,972)	(5,896)	20,469	—	(17,890)
Net (decrease) increase in cash and cash equivalents	(755)	12,522	4,988	(4,904)	(11,452)
Cash and cash equivalents at beginning of the year/period	1,368	613	13,135	13,135	18,123
Cash and cash equivalents at end of the year/period	613	13,135	18,123	8,231	6,671

Cash flows from (used in) operating activities

Our operating cash inflows is primarily derived from our revenue from the provision of wet trades works and other wet trades related ancillary works, whereas our operating cash outflows mainly includes payment for subcontracting fees, purchase of materials and toolings, direct labour costs, as well as other working capital needs.

Net cash from (used in) operating activities primarily consisted of profit before taxation adjusted for depreciation, impairment (reversal) loss on trade receivables and contract assets, fair value losses (gains) on investment property, finance costs and the effect of changes in working capital such as changes in trade receivables, other receivables, deposits and prepayments, contract assets, contract liabilities, trade and other payables, payment for purchase of tax reserve certificate, interest paid and income tax paid.

The following table sets forth a reconciliation of our profit before taxation to net cash from (used in) operating activities:

	FY2016	FY2017	FY2018	For the three months ended 31 March 2018	2019
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	13,611	25,304	48,397	11,099	5,629
Adjustments for:					
Depreciation of property, plant and equipment	221	251	311	102	168
Allowance for (reversal of) impairment losses	—	—	326	(659)	(88)
Fair value losses (gains) on investment property	60	(490)	(730)	—	—
Finance costs	82	253	82	5	90
Operating cash flow before movement in working capital	13,974	25,318	48,386	10,547	5,799
Movements in working capital:					
Decrease (increase) in trade receivables	1,781	(11,177)	(7,877)	10,057	4,767
(Increase) decrease in other receivables, deposits and prepayments	(188)	(210)	(3,683)	(93)	2,941
(Increase) decrease in contract assets	(4,416)	(8,081)	(50,407)	13,960	(18,828)
Decrease in contract liabilities	(3,834)	(19)	(3,454)	(4,239)	(898)
(Decrease) increase in trade and other payables	(6,510)	15,097	24,372	(10,120)	5,555
Cash generated from (used in) operations	807	20,928	7,337	20,112	(664)
Payment for purchase of tax reserve certificate/income tax paid	—	(1,500)	(8,337)	(2,662)	—
Interest paid	(82)	(253)	(82)	(5)	(90)
Net cash from (used in) operating activities	725	19,175	(1,082)	17,445	(754)

For each of FY2016, FY2017, FY2018 and the three months ended 31 March 2018 and 2019, the respective difference between our profit before taxation and our cash generated from/used in operations were mainly due to the changes in working capital needs in our projects, including in particular the amount and timing of receipts from our customers as well as the amount and timing of payments to our suppliers. We generally grant a credit period of 17 to 60 days to our customers while the credit period granted to us by our suppliers is 30 days in general.

Net cash used in operating activities during FY2018 was mainly due to the increase in contract assets (which consists of unbilled revenue and retention receivables) and trade receivables, despite an increase in operating cash flow before movement in working capital during FY2018.

The increase in unbilled revenue during FY2018 was mainly due to the increase in the size and number of contract works that the relevant services were completed but were not certified as at 31 December 2018 as a result of more work done performed by us in the period prior to 31 December 2018 as compared to the period prior to 31 December 2017 (for example: we recorded unbilled revenue of approximately HK$11.9 million and HK$10.7 million as at 31 December 2018 for two projects which commenced in the second half of FY2018 and were at the early stages as at 31 December 2018 (projects P40 and P47 as disclosed in the section headed "Business — Our projects — 'Projects on hand'" in this prospectus).

The increase in retention receivables during FY2018 were primarily due to (i) our business growth and the resulting increase in number of projects with retention withheld as at 31 December 2018 compared to that as at 31 December 2017; and (ii) the retention receivables withheld for projects brought forward from the prior reporting period the retention receivables of which had not been released as at 31 December 2018 (for example: two projects (projects P20 and P23 as disclosed in the section headed "Business — Our projects" in this prospectus)) recorded retention receivables of approximately HK$1.4 million and HK$2.2 million as at 31 December 2018 (as at 31 December 2017: approximately HK$1.1 million and HK$0.4 million, respectively).

The increase in trade receivables during FY2018 was primarily due to (i) our business growth as evidenced by our increase in revenue; and (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to different settlement practices. In particular, we recorded trade receivables for 18 projects as at 31 December 2018, whereas we only recorded receivables for 10 projects as at 31 December 2017.

Net cash used in operating activities during the three months ended 31 March 2019 was mainly due to the increase in contract assets (in particular the increase in unbilled revenue), despite we recorded a positive operating cash flow before movement in working capital during the three months ended 31 March 2019.

The increase in unbilled revenue during the three months ended 31 March 2019 was primarily due to the increase in the size and number of contract works that the relevant services were completed but were not certified at the end of each reporting period, such as project P47 as disclosed in the section headed "Business — Our projects — 'Projects on hand'" in this prospectus, the relevant services were completed but were not certified as at 31 March 2019 as a result of more work done performed by us in the period prior to 31 March 2019 as compared to the period prior to 31 December 2018. We recorded unbilled revenue of approximately HK$10.7 million and HK$19.5 million for such project as at 31 December 2018 and 31 March 2019, respectively.

To improve our operating cash flow, we adopt the following policies:

(i) our quantity surveyor and purchase staff are responsible for documenting expected cash inflow from customers and cash outflow to suppliers and preparing cashflow plans for each project and submitting the cashflow plans to our finance department on a monthly basis;

(ii) our quantity surveyor is also responsible for liaising with our customers and to oversee the latest certified progress for our customers. Upon Listing, our Directors intend to recruit four additional quantity surveyors in order to enhance communication with our customers to ensure timely payments. Please see the section headed "Future plans and use of proceeds — Use of Proceeds — (ii) Expansion of workforce" in this prospectus for further details;

(iii) our finance department, led by the financial controller, Mr. Tsui Chun Hung, will be responsible for reviewing the cashflow plans for all of our projects, and submitting the cashflow plans to our executive Directors for review and the cashflow position of our Group will be considered before submitting any tenders; and

(iv) in the event that there is expected cash outflow for a particular month, we will (a) actively follow up with our customers for payment; and (b) utilise our banking facilities to cover any deterioration in our cash flow position.

Cash flows from (used in) investing activities

				For the three months ended 31 March	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repayment from (advance to) a director	492	(365)	(13,592)	(22,349)	7,633
Purchase of property, plant and equipment	—	(392)	(807)	—	(441)
Net cash from (used in) investing activities	492	(757)	(14,399)	(22,349)	7,192

During the Track Record Period, our cash inflows from investing activities include repayment from a director, while our cash outflows from investing activities consist of advance to a director and purchase of property, plant and equipment.

For FY2016, we recorded net cash from investing activities of approximately HK$492,000, which was primarily attributable to the repayment from a director of approximately HK$492,000 during FY2016.

For FY2017, we recorded net cash used in investing activities of approximately HK$757,000, which was primarily attributable to (i) the advance to a director of approximately HK$365,000 and (ii) the purchase of property, plant and equipment of approximately HK$392,000 during FY2017.

For FY2018, we recorded net cash used in investing activities of approximately HK$14.4 million, which was primarily attributable to (i) the advance to a director of approximately HK$13.6 million and (ii) the purchase of property, plant and equipment of approximately HK$807,000 during FY2018.

For the three months ended 31 March 2018, we recorded net cash used in investing activities of approximately HK$22.3 million, which was primarily attributable to the advance to a director of approximately HK$22.3 million during the three months ended 31 March 2018.

For the three months ended 31 March 2019, we recorded net cash from investing activities of approximately HK$7.2 million, which was primarily attributable to (i) the repayment from a director of approximately HK$7.6 million and (ii) the purchase of property, plant and equipment of approximately HK$441,000 during the three months ended 31 March 2019.

Cash flows (used in) from financing activities

				For the three months ended 31 March	
	FY2016	**FY2017**	**FY2018**	**2018**	**2019**
				(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Drawdown (repayment) of bank overdrafts	5,896	(5,896)	15,575	—	(14,217)
New bank borrowings raised	—	—	5,675	—	—
Repayment of bank borrowings	—	—	(466)	—	(1,399)
Repayment to a director	(7,868)	—	—	—	—
Issue costs paid	—	—	(315)	—	(2,274)
Net cash (used in) from financing activities	(1,972)	(5,896)	20,469	—	(17,890)

During the Track Record Period, our cash inflows from financing activities includes drawdown of bank overdrafts and new bank borrowings raised, while our cash outflows from financing activities includes repayment of bank overdrafts, repayment of bank borrowings, repayment to a director and issue costs paid.

For FY2016, we recorded net cash used in financing activities of approximately HK$2.0 million, which was primarily attributable to the repayment to a director of approximately HK$7.9 million, which was partly offset by the drawdown of bank overdrafts of approximately HK$5.9 million during FY2016.

For FY2017, we recorded net cash used in financing activities of approximately HK$5.9 million, which was primarily attributable to the repayment of bank overdrafts during FY2017.

For FY2018, we recorded net cash from financing activities of approximately HK$20.5 million, which was primarily attributable to the drawdown of bank overdrafts of approximately HK$15.6 million and new bank borrowings raised of approximately HK$5.7 million, which was partly offset by the repayment of bank borrowings of approximately HK$466,000 and issue costs paid of approximately HK$315,000 during FY2018.

For the three months ended 31 March 2018, we recorded nil net cash (used in) from financing activities.

For the three months ended 31 March 2019, we recorded net cash used in financing activities of approximately HK$17.9 million, which was primarily attributable to the repayment of bank overdrafts of approximately HK$14.2 million, repayment of bank borrowings of approximately HK$1.4 million and issue costs paid of approximately HK$2.3 million during the three months ended 31 March 2019.

CAPITAL EXPENDITURE

Our capital expenditure primarily comprised of purchase of machinery and equipment, such as machinery for providing wet trades works. Our capital expenditure was funded by our internal resources during the Track Record Period. The following sets forth our Group's capital expenditure for the periods indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
			(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Additions to machinery and equipment	—	392	807	441

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration our internal resources and banking facilities presently available to our Group, including our existing cash and cash equivalents, cash generated from our operations, available banking facilities, and the estimated net proceeds to be received by us from the Listing, our Group has sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 31 March	As at 30 June
	2016	2017	2018	2019	2019
					(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Trade receivables	12,598	23,775	31,189	26,760	20,479
Other receivables, deposits and prepayments	188	1,898	4,081	5,120	6,436
Amount due from a director	2,192	2,557	16,149	8,516	4,793
Contract assets	26,010	34,091	83,604	102,182	120,144
Bank balances and cash	613	13,135	18,123	6,671	188
	41,601	75,456	153,146	149,249	152,040
Current liabilities					
Trade and other payables	15,496	30,593	54,846	62,107	47,741
Contract liabilities	6,210	6,191	2,737	1,839	1,789
Income tax payable	4,316	8,345	6,570	8,942	11,690
Bank overdrafts	5,896	—	15,575	1,358	669
Bank borrowings	—	—	5,209	3,810	7,396
	31,918	45,129	84,937	78,056	69,285
Net current assets	9,683	30,327	68,209	71,193	82,755

As at 31 December 2016, 2017 and 2018, our net current assets amounted to approximately HK$9.7 million, HK$30.3 million and HK$68.2 million, respectively. The increase in our net current assets was mainly due to the increase in our current assets as a result of our overall business growth and our profitable operation during the three years ended 31 December 2018, which partially offset by the increase in our current liabilities as a result of, among other things, the increase in our trade and other payables as a result of our overall business growth and the general increase in our bank overdrafts and borrowings as we relied more on our bank overdrafts and borrowings to support our business growth.

As at 31 March 2019, our net current assets amounted to approximately HK$71.2 million, which was greater than our net current assets of approximately HK$68.2 million as at 31 December 2018. Such increase was mainly due to our business growth and profitable operation during the three months ended 31 March 2019.

As at 30 June 2019, being the latest practicable date for ascertaining our net current assets position, our net current assets amounted to approximately HK$82.8 million, which was increased as compared with our net current assets as at 31 March 2019. Such increase in our net current assets as at 30 June 2019 was mainly due to the increase in our current assets as a result of our overall business growth and our profitable operation during the six months ended 30 June 2019, in addition to our decrease in current liabilities.

In particular, the increase in our contract assets, which was mainly unbilled revenue, during the six months ended 30 June 2019 was primarily due to some relevant services were completed but were not certified as at 30 June 2019, such as project P40 as disclosed in the section headed "Business — Our projects — 'Projects on hand'" in this prospectus, the relevant services were completed but were not certified as at 30 June 2019 as a result of more work done performed by us in the period prior to 30 June 2019 as compared to the period prior to 31 March 2019. We recorded unbilled revenue of approximately HK$1.2 million and HK$26.3 million for such project as at 31 March 2019 and 30 June 2019, respectively.

The decrease in our trade and other payables was mainly because we expedited the process of settling our trade payables in order to enhance business relationship with our suppliers, while such decrease in our current liabilities was partially offset by the increase in our bank borrowings as we relied more on our bank borrowings to support our business growth.

DISCUSSION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Further discussions of the fluctuations in the key components of our net current assets are set forth in the following paragraphs:

Trade receivables

Our trade receivables were approximately HK$12.6 million, HK$23.8 million, HK$31.2 million and HK$26.8 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively, representing an increase of approximately 88.7% and 31.2% as at 31 December 2017 and 2018, and a decrease of approximately 14.2% as at 31 March 2019, respectively. Such fluctuation was primarily contributed by (i) our business growth as evidenced by our increase in revenue; (ii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to different settlement practices; and (iii) the fluctuation of the amount settled by different customers to us as at the respective reporting dates due to the actual work progress of our projects and amounts certified by the relevant customers as at the respective reporting dates.

Trade receivables turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	FY2016	**FY2017**	**FY2018**	**For the three months ended 31 March 2019**
	days	*days*	*days*	*days*
Trade receivables turnover days *(Note)*	32.4	27.1	23.2	18.7

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue during the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 90 days for the three months ended 31 March 2019).

The credit period that we granted to our customers is generally within 17 to 60 days from the date of payment application. Our trade receivables turnover days were approximately 32.4 days, 27.1 days, 23.2 days and 18.7 days for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively, which is consistent with the credit period granted to our customers. Such fluctuation was mainly due to the fluctuation of the amounts settled by different customers to us as at the respective reporting dates due to the different settlement practices of different customers as well as the different credit periods granted by us.

Aging analysis and subsequent settlement

The aging analysis and subsequent settlement of our trade receivables based on the invoice date is as follows:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	8,572	21,314	20,853	20,881
31-60 days	4,026	2,461	9,921	5,879
61-90 days	—	—	415	—
	12,598	23,775	31,189	26,760

Up to the Latest Practicable Date, amount of approximately HK$26.8 million (i.e. 100.0%) of our trade receivables as at 31 March 2019 has been settled.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments increased from approximately HK$188,000 as at 31 December 2016 to approximately HK$1.9 million as at 31 December 2017, and further increased to approximately HK$4.1 million and to approximately HK$5.1 million as at 31 December 2018 and as at 31 March 2019, respectively. The increase of approximately HK$1.7 million as at 31 December 2017 was mainly due to the purchase of tax reserve certificate of approximately HK$1.5 million, which was used to pay for the income tax payable in 2018 during FY2017.

Our further increase of approximately HK$2.2 million as at 31 December 2018 was mainly due to (i) the prepayment of expenses in relation to the Listing of approximately HK$3.3 million; and (ii) the deferral of issue costs of approximately HK$576,000, while such increase was partly offset by the redemption of the tax reserve certificate of approximately HK$1.5 million during FY2018.

The further increase of approximately HK$1.0 million as at 31 March 2019 was mainly due to the increase in deferred issue costs by approximately HK$4.0 million, which was partly offset by the decrease in prepayment of expenses in relation to the Listing of approximately HK$3.3 million during the three months ended 31 March 2019.

Amount due from a director

Details of the amount due from a director are summarized in Note 18 to the Accountants' Report set out in Appendix I to this prospectus.

Our amount due from a director is non-trade in nature, unsecured, repayable on demand and non-interest bearing. During the Track Record Period, such amounts represented cash advanced by our Group to Mr. Cheung for his personal use. As at the Latest Practicable Date, our amount due from a director amounted to approximately HK$2.4 million. The outstanding amount will be settled before Listing.

Contract assets/liabilities

Contract assets represents our Group's rights to considerations from customers for the provision of construction services, which arise when: (i) we completed the relevant services under such contracts; or (ii) the customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defects liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional.

Contract liabilities represents our Group's obligation to transfer services to customers for which our Group has received consideration (or the amount is due) from the customers.

The following table sets forth our contract assets/contract liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets				
Unbilled revenue	18,892	24,107	61,441	79,305
Retention receivables	7,118	9,984	22,163	22,877
	26,010	34,091	83,604	102,182
Contract liabilities	6,210	6,191	2,737	1,839

Contract assets

As at 31 December 2016, 2017, 2018 and 31 March 2019, our contract assets were approximately HK$26.0 million, HK$34.1 million, HK$83.6 million and HK$102.2 million, respectively.

Unbilled revenue

The significant increase of the unbilled revenue from 31 December 2017 to 31 December 2018 was mainly due to the increase in the size and number of contract works that the relevant services were completed but were not certified at the end of each reporting period.

The increase in unbilled revenue during the three months ended 31 March 2019 was primarily due to the increase in the size and number of contract works that the relevant services were completed but were not certified at the end of each reporting period, such as project P47 as disclosed in the section headed "Business — Our projects — 'Projects on hand'" in this prospectus, the relevant services were completed but were not certified as at 31 March 2019 as a result of more work done performed by us in the period prior to 31 March 2019 as compared to the period prior to 31 December 2018. We recorded unbilled revenue of approximately HK$10.7 million and HK$19.5 million for such project as at 31 December 2018 and 31 March 2019, respectively.

Retention receivables

In general, our customers may hold up a certain percentage of each interim payment made to us as retention money. Such percentage is generally 5% to 10%, subject to a ceiling up to 5% of the total contract sum of a project. Our major customer, Sanfield, usually retain nil to 3% of the contract sum as retention money. 50% of the retention money withheld are normally released to us upon completion and the remaining 50% is released to us upon expiry of the defect liability period.

As at 31 December 2016, 2017, 2018 and 31 March 2019, our retention receivables amounted to approximately HK$7.1 million, HK$10.0 million, HK$22.2 million and HK$22.9 million, respectively. Such increase was primarily because (i) our Group experienced overall business growth during the Track Record Period; and (ii) there was an increase in the number of our projects with large contract sums which normally require a longer time to complete, resulting in the release of retention money at a later date.

The following table sets forth an analysis of retention receivables estimated to be recovered in each quarter after Listing:

	From 1 July 2019 to 30 September 2019	**From 1 October 2019 to 31 December 2019**	**From 1 January 2020 to 31 March 2020**	**From 1 April 2020 to 30 June 2020**	**On or after 1 July 2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Retention receivables	5,895	5,558	661	4,599	3,420

Contract liabilities

As at 31 December 2016, 2017, 2018 and 31 March 2019, our contract liabilities were approximately HK$6.2 million, HK$6.2 million, HK$2.7 million and HK$1.8 million, respectively. As at 31 March 2019, our contract liabilities mainly represent the excess portion of certified revenue over the recognised revenue and the balance will be recognised as revenue for the remainder of FY2019.

Subsequent billing and settlement

Unbilled revenue

In respect of the unbilled revenue of approximately HK$18.9 million, HK$24.1 million, HK$61.4 million and HK$79.3 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively, approximately HK$18.8 million (or 99.3%), HK$22.7 million (or 94.4%), HK$58.0 million (or 94.4%) and HK$70.9 million (or 89.4%) had been settled by the relevant customers up to the Latest Practicable Date, respectively.

Retention receivables

In respect of the retention receivables of approximately HK$7.1 million, HK$10.0 million, HK$22.2 million and HK$22.9 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively, approximately HK$6.3 million (or 88.8%), HK$5.0 million (or 50.4%), HK$3.4 million (or 15.4%) and HK$1.9 million (or 8.4%) had been settled by the relevant customers up to the Latest Practicable Date.

Contract liabilities

In respect of the contract liabilities of approximately HK$6.2 million and HK$6.2 million as at 31 December 2016 and 2017, respectively, all of the total contract liabilities were subsequently utilised and recognised as revenue during FY2017 and FY2018, respectively, while approximately HK$2.7 million (or 97.1%) of our contract liabilities of approximately HK$2.7 million as at 31 December 2018 had been utilised and recognised as revenue up to the Latest Practicable Date. Approximately HK$1.6 million (or 86.4%) of our contract liabilities of approximately HK$1.8 million as at 31 March 2019 had been utilised and recognised as revenue up to the Latest Practicable Date.

Loss allowance of trade receivables and contract assets

Upon the application of HKFRS 9 on 1 January 2018, our Group applied simplified approach to provide ECL for trade receivables and contract assets. To measure the ECL of both trade receivables and contract assets, they are assessed using individual assessment based on the internal credit rating.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and internal credit rating by reference to a study of other corporates' default and recovery data from international credit-rating agencies and are adjusted for forward-looking information that is available without undue costs or efforts. Such forward-looking information is used by the management of our Group to assess both the current as well as the forecast direction of conditions as at the reporting dates.

Impairment loss allowance of trade receivables and contract assets as at 31 December 2017 reconcile to the opening impairment loss allowance as at 1 January 2018 is as follows:

	Trade receivables	**Contract assets**
	HK$'000	*HK$'000*
At 31 December 2017 — HKAS 39	—	—
Effect arising from initial application of HKFRS 9:		
Amounts remeasured through opening accumulated profits	(385)	(646)
At 1 January 2018	(385)	(646)

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets, which are assessed individually as at 31 December 2018 and 31 March 2019.

Trade receivables

		As at 31 December 2018		**As at 31 March 2019**	
	Range of loss rate	**Gross carrying amount**	**Impairment loss allowance**	**Gross carrying amount**	**Impairment loss allowance**
		HK$'000	*HK$'000*	*HK'000*	*HK'000*
Internal credit rating					
Low risk	0.06%-2.25%	31,652	463	26,885	125
		31,652	463	26,885	125

Contract assets

	Range of loss rate	As at 31 December 2018 Gross carrying amount HK$'000	As at 31 December 2018 Impairment loss allowance HK$'000	As at 31 March 2019 Gross carrying amount HK$'000	As at 31 March 2019 Impairment loss allowance HK$'000
Internal credit rating					
Low risk	0.06%-2.25%	84,498	894	103,326	1,144
		84,498	894	103,326	1,144

The following table provides information about the movement in the impairment loss allowance in respect of both trade receivables and contract assets during the Track Record Period.

	Trade receivables HK$'000	Contract assets HK$'000
At 1 January 2016, 31 December 2016 and 2017	—	—
Initial application of HKFRS 9	385	646
Reversal	(365)	(107)
Addition	443	355
At 31 December 2018	463	894
Reversal	(344)	(156)
Addition	6	406
At 31 March 2019	125	1,144

During FY2018 and the three months ended 31 March 2019, the (allowance for) reversal of impairment losses were recognized in profit or loss in relation to the impaired trade receivables and contract assets. While ECL for other financial assets at amortised cost mainly comprise of other receivables and deposits, amount due from a director and bank balances, which are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition. Hence, no loss provision was recognized.

Trade and other payables

Our trade and other payables consist of (i) trade payables and (ii) other payables and accruals. The following table sets forth the breakdown of trade and other payables as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	15,298	29,926	52,445	52,601
Payroll and MPF payables	99	451	959	1,162
Accrued expenses	99	190	—	97
Accrued share issue costs	—	—	261	1,967
Accrued listing expenses	—	—	966	6,278
Purchase of machinery payables	—	—	196	—
Others	—	26	19	2
Other payables and accruals	198	667	2,401	9,506
Total	15,496	30,593	54,846	62,107

Trade payables

Our trade payables primarily represent amounts payable to suppliers of materials and subcontractors of our Group. As at 31 December 2016, 2017, 2018 and 31 March 2019, our trade payables were approximately HK$15.3 million, HK$29.9 million, HK$52.4 million and HK$52.6 million, respectively. The increase of our trade payables was mainly due to the increase in our costs incurred for materials and subcontractors, as at 31 December 2017 and 2018 and 31 March 2019.

Trade payables turnover days

The following table sets forth our trade payables turnover days during the Track Record Period:

	FY2016	**FY2017**	**FY2018**	**For the three months ended 31 March 2019**
	days	*days*	*days*	*days*
Trade payables turnover days *(Note)*	50.0	38.0	39.7	38.7

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by costs of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 90 days for the three months ended 31 March 2019).

Our trade payables turnover days was primarily affected by the timing of our payments and our payables as at year ended. It decreased from approximately 50.0 days for FY2016 to approximately 38.0 days for FY2017, which was primarily because we expedited the process of settling our trade payables in order to enhance business relationship with various suppliers. Our trade payables turnover days remained relatively stable for FY2018 and the three months ended 31 March 2019 and was approximately 39.7 days and 38.7 days, respectively.

Aging analysis and subsequent settlement

The following table sets forth the aging analysis of our trade payables based on invoice dates as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	13,950	29,018	52,415	52,601
31-60 days	1,319	908	30	—
61-90 days	23	—	—	—
Over 90 days	6	—	—	—
	15,298	29,926	52,445	52,601

Up to the Latest Practicable Date, amount of approximately HK$52.6 million (i.e. 100.0%) of our trade payables as at 31 March 2019 has been settled.

Other payables

Other payables primarily represent payroll and MPF payables, accrued expenses, accrued share issue costs, accrued listing expenses and purchase of machinery payables. As at 31 December 2016, 2017, 2018 and 31 March 2019, our other payables were approximately HK$198,000, HK$667,000, HK$2.4 million and HK$9.5 million, respectively.

The increase of other payables of approximately HK$469,000 as at 31 December 2017 was mainly contributed by the increase in payroll and MPF payables due to the increase in number of our employees during FY2017. The increase of approximately HK$1.7 million as at 31 December 2018 was mainly due to (i) the increase payroll and MPF payables due to the increases in number of our employees during FY2018, and (ii) the increase in accrued listing expenses and accrued share issue costs of approximately HK$1.2 million in aggregate as at 31 December 2018. The increase of approximately HK$7.1 million as at 31 March 2019 was mainly due to an increase in accrued listing expenses and accrued share issue costs of approximately HK$5.3 million and HK$1.7 million, respectively.

Property, plant and equipment

Our property, plant and equipment primarily comprised leasehold land and buildings, fixtures, machinery and equipment, and office equipment. Our property, plant and equipment amounted to approximately HK$1.8 million, HK$2.0 million, HK$7.9 million and HK$8.2 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

The increase in our property, plant and equipment of approximately HK$6.0 million from 31 December 2017 to 31 December 2018 mainly contributed by (i) the transfer of buildings and leasehold land with carrying amount of HK$5.3 million from investment property as the management of our Group had changed the use of property to owner occupation purpose (i.e. for use as our warehouse); and (ii) the addition of machinery and equipment of approximately HK$1.0 million.

Investment Property

Our investment property amounted to approximately HK$4.0 million, HK$4.5 million, nil and nil as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively.

The significant reduction of the investment property was mainly contributed by the transferral of our investment property with carrying amount of HK$5.3 million to property, plant and equipment as the management of our Group had changed the use of the property in FY2018 to owner occupation purpose, as mentioned above.

The fair value of our Group's investment property as at 31 December 2016, 2017 and 31 October 2018 (i.e. the date of transfer) has been arrived at on the basis of a valuation carried out on the respective dates by an independent qualified professional valuer.

The fair value was determined based on the direct comparison approach that reflects sale of the property in its existing state with the benefit of vacant possession and by making reference to recent comparable sales transactions as available in the relevant market. There has been no change in the valuation technique during the Track Record Period.

Performance Bonds

As at 31 December 2018 and 31 March 2019, performance bonds of approximately HK$3.6 million and HK$3.6 million, respectively, were given by a bank in favour of our Group's customers as security for the due performance and observance of our Group's obligations under the contracts entered into between our Group and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. In the event of the non-performance, our Group will only become liable to compensate such customers for any performance obligation over and above the performance bond amounts given to them, the performance guarantees will be released upon completion of the contracts.

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As at 30 June 2019, being the latest practicable date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" in this section, we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 June 2019 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 31 December			As at 31 March	As at 30 June
	2016	**2017**	**2018**	**2019**	**2019**
					(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Bank overdrafts					
— secured and guaranteed	5,896	—	15,575	1,358	669
Bank borrowings					
— secured and guaranteed	—	—	5,209	3,810	7,396
	5,896	—	20,784	5,168	8,065

Banking facilities

As at 31 December 2016, 2017, 2018, 31 March 2019 and 30 June 2019, our Group had banking facilities with credit limit amounting to approximately HK$20.0 million, HK$30.0 million, HK$30.0 million, HK$10.0 million and HK$25.0 million, respectively.

As at 31 December 2016, 2017, 2018, 31 March 2019 and 30 June 2019, these banking facilities mainly include revolving loan and overdraft.

As at 31 December 2016 and 2017, the banking facilities of our Group were secured by (i) the legal charge over the investment property and leasehold land and building of our Group, (ii) property of Mr. Adam Cheung, and (iii) personal guarantee executed by Mr. Adam Cheung.

As at 31 December 2018, the banking facilities of our Group were secured by (i) the legal charge over the leasehold land and buildings of our Group, (ii) the legal charge over the property of Mr. Adam Cheung, and (iii) personal guarantee executed by Mr. Adam Cheung. As at 31 March 2019, the banking facilities of our Group were secured by (i) the legal charge over the leasehold land and buildings of our Group, and (ii) personal guarantee executed by Mr. Adam Cheung. As at 30 June 2019, the banking facilities of our Group were secured by (i) the legal charge over the leasehold land and buildings of our Group, (ii) personal guarantee executed by Mr. Adam Cheung, and (iii) a guarantee under the SME Financing Guarantee Scheme. Our Directors confirmed that our bank borrowings under the banking facilities which involve the guarantee under the SME Financing Guarantee Scheme will be repaid before Listing. For the remaining banking facilities, the personal guarantee executed by Mr. Adam Cheung will be released and replaced by corporate guarantee of our Company upon Listing and a charge on deposit covering an amount of HK$3.0 million plus all interest thereon.

The unutilised banking facilities as at 31 December 2016, 2017, 2018, 31 March 2019 and 30 June 2019 amounted to approximately HK$14.1 million, HK$30.0 million, HK$10.8 million, HK$5.0 million and HK$15.7 million, respectively.

For further details, please refer to Note 22 to the Accountants' Report set out in Appendix I to this prospectus.

OPERATING LEASE COMMITMENTS

Our Group as lessee

As at 31 December 2016, 2017, 2018, 31 March 2019 and 30 June 2019, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of warehouse and office premise which fall due as follows:

	As at 31 December			As at 31 March	As at 30 June
	2016	**2017**	**2018**	**2019**	**2019**
					(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	148	96	136	93
In the second to fifth year, inclusive	—	96	—	—	—
	—	244	96	136	93

The leases have tenures ranging from one to six years.

Upon application of modified retrospective approach under HKFRS 16 at transition, our Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of date of initial application. We applies the short-term lease recognition exemption to leases of warehouse and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. We also applies the recognition exemption for lease of low-value assets. Total lease payments of warehouse, office premises and machine for the three months ended 31 March 2019 was approximately HK$501,000.

Our Group as lessor

As at 31 December 2016, 2017, 2018, 31 March 2019 and 30 June 2019, our Group had contracted with tenants for the following future minimum lease receivables in respect of office premise:

	As at 31 December			As at 31 March	As at 30 June
	2016	**2017**	**2018**	**2019**	**2019**
					(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	162	135	—	—	—
In the second to fifth year, inclusive	135	—	—	—	—
	297	135	—	—	—

The leases have tenures ranging from one to five years.

CONTINGENT LIABILITIES

During the Track Record Period and as at the Latest Practicable Date, we did not have any material contingent liabilities.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments or arrangements.

KEY FINANCIAL RATIO

	FY2016 or as at 31 December 2016	FY2017 or as at 31 December 2017	FY2018 or as at 31 December 2018	For the three months ended 31 March 2019 or as at 31 March 2019
Revenue growth	N/A	61.2%	76.2%	52.8%
Net profit growth	N/A	86.7%	89.6%	(65.8%)
Gross profit margin	10.5%	11.4%	12.2%	12.4%
Net profit margin before interest and tax	9.0%	10.4%	11.2%	4.1%
Net profit margin	7.5%	8.7%	9.3%	2.3%
Return on equity	74.6%	58.2%	53.1%	4.1%
Return on total assets	24.0%	26.0%	25.0%	2.0%
Current ratio	1.3	1.7	1.8	1.9
Quick ratio	1.3	1.7	1.8	1.9
Inventories turnover days	N/A	N/A	N/A	N/A
Trade receivables turnover days	32.4 days	27.1 days	23.2 days	18.7 days
Trade payables turnover days	50.0 days	38.0 days	39.7 days	38.7 days
Gearing ratio	38.6%	0.0%	27.3%	6.5%
Net debt to equity ratio	34.6%	net cash	3.5%	net cash
Interest coverage	167.0	101.0	591.2	63.5

Revenue growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our revenue.

Net profit growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our net profit.

Gross profit margin

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for the reasons for the fluctuation in our gross profit margin.

Net profit margin before interest and tax

Our net profit margin before interest and tax increased from approximately 9.0% for FY2016 to approximately 10.4% for FY2017, which was mainly due to the increase in our gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Our net profit margin before interest and tax increased from approximately 10.4% for FY2017 to approximately 11.2% for FY2018, which was mainly due to the increase in our gross profit margin as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section, while was partially offset by the recognition of listing expenses of approximately HK$2.0 million for FY2018.

Our net profit margin before interest and tax decreased from approximately 11.2% for FY2018 to approximately 4.1% for the three months ended 31 March 2019, which was mainly due to the recognition of listing expenses of approximately HK$9.9 million for the three months ended 31 March 2019. For illustration purpose, our net profit margin before interest and tax (excluding listing expenses), remain broadly stable at approximately 11.7% and 11.2% for FY2018 and for the three months ended 31 March 2019, respectively.

Net profit margin

Our net profit margin increased from approximately 7.5% for FY2016 to approximately 8.7% for FY2017, which was mainly due to the increase in our net profit margin before interest and tax as mentioned above and was partially offset by the increase in the finance costs and income tax expense.

Our net profit margin increased from approximately 8.7% for FY2017 to approximately 9.3% for FY2018, which was mainly due to (i) the increase in our net profit margin before interest and tax as mentioned above; and (ii) the decrease in the finance costs; which such increase was partially offset by the tax effect of the non-deductible listing expenses recognised in FY2018.

Our net profit margin decreased from approximately 9.3% for FY2018 to approximately 2.3% for the three months ended 31 March 2019, which was mainly due to reason similar to the decrease in net profit margin before interest and tax for the three months ended 31 March 2019 as discussed above.

Return on equity

Return on equity is calculated as profit and total comprehensive income for the year/period divided by the ending total equity as at the respective reporting dates.

Our return on equity decreased from approximately 74.6% for FY2016 to approximately 58.2% for FY2017, which was mainly due to the increase in our total equity of approximately 139.3% outweighing the increase in profit and total comprehensive income for the year of approximately 86.7%. Our return on equity further decreased to approximately 53.1% for FY2018. Similarly, such decrease was mainly due to increase in our total equity of approximately 108.0% outweighing the increase in profit and total comprehensive income for the year of approximately 89.6% for FY2018. Our return on equity decreased from approximately 20.9% for the three months ended 31 March 2018 to approximately 4.1% for the three months ended 31 March 2019, such decrease was mainly due to the decrease in our net profit for the three months ended 31 March 2019 as discussed above.

Return on total assets

Return on total assets is calculated as profit and total comprehensive income for the year divided by the ending total assets as at the respective reporting dates.

Our return on total assets increased from approximately 24.0% for FY2016 to approximately 26.0% for FY2017. The increase in our return on total assets was mainly due to the increase in the profit and total comprehensive income for the year as discussed in the paragraph headed "Period-to-period comparison of results of operations" in this section. Our return on total assets slightly decreased from approximately 26.0% for FY2017 to approximately 25.0% for FY2018. Such decrease was mainly due to the increase in total assets (such as trade receivables and contract assets) of approximately 96.5% outweighing the increase in profit and total comprehensive income for the year of approximately 89.6% for FY2018. Our return on total assets decreased from approximately 12.6% for the three months ended 31 March 2018 to approximately 2.0% for the three months ended 31 March 2019, which was mainly due to the decrease in our net profit for the three months ended 31 March 2019 as discussed above.

Current ratio

Current ratio is calculated as current assets divided by current liabilities as at the respective reporting dates.

Our current ratio increased from approximately 1.3 times as at 31 December 2016 to approximately 1.7 times as at 31 December 2017, which was mainly due to the increase in our current assets as a result of our profitable operations.

Our current ratio increased from approximately 1.7 times as at 31 December 2017 to approximately 1.8 times as at 31 December 2018. Such increase was mainly due to the increase in our current assets as a result of our profitable operations.

Our current ratio amounted to approximately 1.9 times as at 31 March 2019, which remained broadly stable as compared with that as at 31 December 2018.

Quick ratio

Quick ratio is calculated as current assets minus inventories, then divided by current liabilities as at the respective reporting dates. Due to our business nature, we did not have any inventories during the Track Record Period. As such, our quick ratio was the same as our current ratio.

Inventories turnover days

Due to the nature of our business model, we did not maintain any inventories during the Track Record Period. As such, analysis of inventories turnover days is not applicable.

Trade receivables turnover days

Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 90 days for the three months ended 31 March 2019).

Please refer to the paragraph headed "Discussion of selected statement of financial position items – Trade receivables" for the reasons for the change in our trade receivables turnover days.

Trade payables turnover days

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by costs of services for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for a full year or 90 days for the three months ended 31 March 2019).

Please refer to the paragraph headed "Discussion of selected statement of financial position items – Trade and other payables" in this section for the reasons for the change in our trade payables turnover days.

Gearing ratio

Gearing ratio is calculated as total borrowings (i.e. bank overdrafts and bank borrowings) divided by the total equity as at the respective reporting dates.

Our gearing ratio was approximately 38.6% as at 31 December 2016 and nil as at 31 December 2017. The decrease in our gearing ratio was mainly due to repayment of our bank overdrafts.

Our gearing ratio increased from nil as at 31 December 2017 to approximately 27.3% as at 31 December 2018. The increase was primarily due to the increase of our bank overdrafts of approximately HK$15.6 million and bank borrowings of approximately HK$5.2 million. Our gearing ratio decreased from approximately 27.3% as at 31 December 2018 to approximately 6.5% as at 31 March 2019. This was due to the decrease in bank overdrafts and bank borrowings as at 31 March 2019 as compared with that as at 31 December 2018.

Net debt to equity ratio

Net debt to equity ratio is calculated as net debts (i.e. total borrowings, net of cash and cash equivalents) divided by total equity as at the respective reporting dates.

Our net debt to equity ratio decreased from approximately 34.6% as at 31 December 2016 to net cash as at 31 December 2017, mainly because we had no bank borrowings and no bank overdrafts as at 31 December 2017.

Our net debt to equity ratio increased from net cash as at 31 December 2017 to approximately 3.5% as at 31 December 2018, mainly due to the increase in our bank borrowings and bank overdrafts as at 31 December 2018, while we recorded net cash position as at 31 March 2019.

Interest coverage

Interest coverage is calculated as profit before finance costs and income tax divided by finance costs of the respective reporting years.

Our interest coverage decreased from approximately 167.0 times as at 31 December 2016 to approximately 101.0 times as at 31 December 2017, mainly due to increase in our finance costs by approximately 208.5% outweighing the increase in profit before finance costs and income tax expense by approximately 86.6%.

Our interest coverage increased from approximately 101.0 times as at 31 December 2017 to approximately 591.2 times as at 31 December 2018, mainly due to the decrease in finance costs incurred by our Group during FY2018 compared to FY2017.

Our interest coverage decreased from approximately 591.2 times as at 31 December 2018 to approximately 63.5 times as at 31 March 2019, which was due to the increase in finance costs during the three months ended 31 March 2019.

RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 29 of the Accountants' Report were conducted on normal commercial terms and/or on terms not less favourable than terms available than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

Please refer to the Note 29 to the Accountants' Report in Appendix I to this prospectus for further details of the related party transactions.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to"Business — Risk management and internal control systems" and Note 28 of the Accountants' Report set out in Appendix I to this prospectus.

Capital Management

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

During the Track Record Period, the capital structure of our Group consists of net debt, which includes bank overdrafts and bank borrowings, net of bank balances and cash and equity attributable to owners of our Group, comprising share capital and reserves.

Our Directors review the capital structure on a regular basis by considering the cost of capital and the risks associated with each class of items in the context of capital structure, and takes appropriate actions to adjust our Group's capital structure.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets, which was prepared to illustrate the effect of the Share Offer on the audited consolidated net tangible assets of our Group attributable to owners of our Company as of 31 March 2019 as if the Share Offer had taken place on 31 March 2019 was approximately HK$0.07 per Share.

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 30 January 2019 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at 31 December 2016, 2017, 2018, 31 March 2019 and 30 June 2019.

DIVIDEND

For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, we did not declare or distribute dividend to our then Shareholders.

The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Share Offer, while we currently have no plan to pay any dividend to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$40.0 million. Out of the amount of approximately HK$40.0 million, approximately HK$20.2 million is directly attributable to the issue of the Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK$19.8 million, which cannot be so deducted, shall be charged to profit or loss. Of the approximately HK$19.8 million that shall be charged to profit or loss, nil, nil, approximately HK$2.0 million and HK$9.9 million, has been charged for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively. Expenses in relation to the Listing are non-recurring in nature. Our Group's financial performance and results of operations for FY2019 will be adversely affected by the estimated expenses in relation to the Listing.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the Listing, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 March 2019, and there had been no events since 31 March 2019 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business — Business strategies" in this prospectus for a detailed description of our future plans.

REASONS FOR THE LISTING

According to the Industry Report, it is estimated that the gross value of the wet trades works industry in Hong Kong will reach approximately HK$14,785.2 million in 2023, demonstrating a CAGR of approximately 5.4% from 2019 to 2023. According to the Industry Report, as outlined in the Chief Executive's 2018 Policy Address ("**2018 Policy Address**"), the Government will continue to increase in land supply in new development areas such as Hung Shui Kiu New Development Area and development of commercial area in Kowloon East. Moreover, the 2018 Policy Address proposed the "Lantau Tomorrow Vision" which included construction of artificial islands. Together with the release of the "Hong Kong 2030: Planning Vision and Strategy", the construction of North East New Territories New Development Areas in Kwu Tung North, Fanling North and Ping Che.

Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million. Our Directors believe that there will be sufficient market demand to justify our Group's expansion strategies through additional financial capabilities, manpower and machinery and equipment following the completion of our projects on hand as at the Latest Practicable Date based on the following reasons:

i. During the Track Record Period, our revenue increased by approximately HK$93.1 million or 61.2%, from approximately HK$152.0 million for FY2016 to approximately HK$245.0 million for FY2017; and increased by approximately HK$186.8 million or 76.2% to approximately HK$431.8 million for FY2018; and further increased by approximately HK$48.1 million or 52.8%, from approximately HK$91.3 million for the three months ended 31 March 2018 to approximately HK$139.4 million for the three months ended 31 March 2019. The growth rate of our revenue significantly exceeded the growth rate of the gross value of wet trades works in Hong Kong in the corresponding period.

ii. Our Directors believe that the trend for home buyers to employ clerk of works to undertake inspection works for newly purchased flats will continue to drive strong market demand for quality wet trades works in order to fulfil the interior design and inspection requirement, and due to our proven track record of high quality works in the wet trades works industry as discussed in the section headed "Business — Competitive Strengths" in this prospectus, the demand for our services is likely to continue to increase in the future.

iii. We experienced a strong demand for our services during the Track Record Period as evidenced by a large and increasing number of tender invitations that we received during the Track Record Period. We received 105, 145, 197, 52 and 77 tender invitations in FY2016, FY2017, FY2018, for the three months ended 31 March 2019 and for the period from 1 April 2019 up to the Latest Practicable Date, respectively. For the 77 tenders invitations received for the period from 1 April 2019 up to the Latest Practicable Date, we had either declined or submitted a less competitive tender price due to financial constraints or lack of staff or lack of machinery as we had a large contract value on hand as at 31 March 2019 of approximately HK$459.6 million. Our Directors will strive to bid for more projects after Listing with the proceeds from the Share Offer to be used for further expansion. However, in the event that we cannot obtain equity financing through Listing, we may not be able to bid for more projects given our limited financial resources.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded two new projects. Based on the best estimation of our Directors with reference to communications with our customers, the aggregate original contract sum of these new projects amounted to approximately HK$48.2 million.

iv. We strive to work with the top market players in the construction industry. During the Track Record Period and up to the Latest Practicable Date, we had undertaken wet trades works for properties developed by four out of the top five property developers in Hong Kong in terms of number of property completion according to the Industry Report. Please see the section headed "Business — Relationship with property developers in Hong Kong" in this prospectus for further details. Our Directors believe that these leading property developers are more likely to have sustainable demands for quality wet trades works in the long run.

v. Our Group has a market share of approximately 3.8% in wet trades market in terms of revenue in 2018 according to the Industry Report, indicating a huge potential for future growth and expansion.

Driven by the anticipated increase in demand for wet trades services and growth in the wet trades works industry, our Directors expect that our business will expand steadily going forward. Taking advantage of the forecasted growth in the wet trades works industry, we aim to further strengthen our market position in the wet trades works industry in Hong Kong. In particular, we intend to apply the net proceeds from the Share Offer in strengthening our financial position, expanding our workforce and acquiring more machinery and equipment. For details, please refer to the paragraph headed "Use of proceeds" in this section. Our Directors believe that the listing of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the wet trades works industry in Hong Kong for the reasons below.

Enhance our corporate profile, brand awareness and competitiveness among business stakeholders

Our Directors believe that the Listing will enhance our corporate profile and brand awareness among business stakeholders such as customers, contractors, project owners and government authorities. We believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would bolster our customers' and suppliers' confidence in us and attract potential new customers, as well as quality suppliers and subcontractors.

Our Directors consider that the Listing enhances our competitiveness among competitors. Customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. In particular, the respective holding companies of some of our major customers are listed companies. They may prefer to engage listed wet trades contractors.

Our Directors believe that we will be able to maintain our competitiveness among the market leaders and differentiate ourselves from other competitors which are private companies during the tendering process, thus enhancing our success rate in securing sizeable projects.

Enhance work morale to nurture an integrated workforce

To effectively implement our business strategies, our Directors believe that a listing status allows us to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more stable and secured about their employment with us as compared to a non-listing group, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services and optimise our day-to-day operations to the benefit of our long-term development.

We have a genuine funding need in order to expand our business

Our cash and bank balances was just sufficient to maintain our existing business operations

As at 31 December 2016, 2017, 2018 and 31 March 2019 our cash and bank balances were approximately HK$613,000, HK$13.1 million, HK$18.1 million and HK$6.7 million, respectively, whereas our trade payables amounted to approximately HK$15.3 million, HK$29.9 million, HK$52.4 million and HK$52.6 million, respectively. Should our customers fail to settle the progress payments in time, we may not have sufficient cash as expected to meet our payment obligations in relation to the costs incurred in our projects.

Besides, for FY2018, our Group's total operating expenses (primarily representing our costs of services, administrative expenses and finance costs) amounted to approximately HK$382.6 million, representing an average monthly operating expenses of approximately HK$31.9 million for the corresponding year. Our cash and bank balances of approximately HK$18.1 million as at 31 December 2018 was only able to fund our Group's operating costs for less than one month based on our then operation scale. We therefore rely considerably on our operating cash flows to fund our day-to-day operations, and hence our capacity to implement our business strategies and plans to foster our growth and create greater return and value for our Shareholders would be limited without the support of the net proceeds from the Share Offer.

Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million. Considering our total revenue of approximately HK$152.0 million, HK$245.0 million, HK$431.8 million and HK$139.4 million for FY2016, FY2017, FY2018 and the three months ended 31 March 2019, respectively, our Directors consider that our current cash and bank balances may not be able to support our operations in the near future without the provision of funding from our Controlling Shareholders or the obtaining of external debt or equity financing. In the event that we cannot obtain equity financing through Listing, we plan to support our future operational funding needs partly by our internal resources and partly by advances from our Controlling Shareholders. Our Directors consider that our current cash and bank balances cannot provide any funding buffer for us to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the wet trades works industry or severe disasters, nor can they support our growth through business expansion. We expect that the cash outflow for our business operation will further increase correspondingly when the number of sizeable projects we take up increases along with our expansion plan. If there is no additional funding from the Share Offer, our cash balance may not be sufficient to sustain our business should there be any adverse changes to our financial position, nor can we further strengthen our market position in the wet trades works industry in Hong Kong by expanding our market share through undertaking more sizeable projects.

We need to maintain a certain working capital level for our projects

According to the Industry Report, a large amount of upfront cost payment is often involved in wet trades projects, which require substantial working capital and healthy cash flow. Hence, new entrants who do not have an adequate amount of capital may face consequences of delayed project executions and ultimately, lose their reputation. Our Directors consider that customers generally assess whether a contractor's financial resources are sufficient to undertake new projects and manage other projects on hand during the tender/quotation assessment process, which includes whether there are sufficient financial resources to obtain performance bond as required and to bear upfront costs such as payment of subcontracting fees and costs of materials. Based on our Directors' experience throughout our operating history, before awarding a project to a potential contractor through either the tendering or the quotation process, customers generally inquire the financial position of contractors, in particular new contractors whom they have not previously engaged. Inquiries into the financial position of a potential contractor is generally made through obtaining the financial statements and job references of the potential contractor. Our Directors therefore consider a healthy working capital level as one of the determining factors in obtaining a project from a potential customer.

Higher working capital level is required in view of expanding our customer base

Our Directors consider that the payment terms with Sanfield are more favorable comparing to those with other customers. For example, the retention money required by other customers is generally 5% to 10%, subject to a ceiling up to 5% of the total contract sum of a project, while Sanfield usually retains nil to 3% of the contract sum as retention money. In addition, the credit period of an individual customer is considered on a case-by-case basis. While the typical credit term granted by us to Sanfield is 17 days from our payment application, we generally grant our customers a credit period ranging from 30 to 60 days from our payment application. Alongside with maintaining long-term business relationship with Sanfield, we strive to identify and take on new customers. As a result of our success in diversifying our customer base, the revenue generated from customers other than Sanfield had increased from approximately HK$57.1 million in FY2016 to approximately HK$129.1 million in FY2017 and to approximately HK$250.1 million in FY2018, while the revenue generated from customers other than Sanfield amounted to approximately HK$83.4 million for the three months ended 31 March 2019, which represented approximately 37.5%, 52.7%, 57.9% and 59.8% of our revenue during the respective financial years/period. Considering the generally longer payment terms granted to customers other than Sanfield, our Directors believe that we should have a higher working capital level in view of our expanding customer base.

Debt financing does not provide enough funding at reasonable costs

Our bank facilities of approximately HK$25.0 million as at 30 June 2019 were secured by (i) the legal charge over self-owned properties of our Group, (ii) personal guarantee executed by Mr. Adam Cheung, and (iii) a guarantee under the SME Financing Guarantee Scheme. As a private group of companies and given that we have limited self-owned properties, our Directors are of the view that such property might not be considered as security of sufficient value for additional borrowings required taking into account the size of projects we plan to undertake. As such, our Directors consider that it may not be feasible to further increase the limit of our available banking facilities given our Group's existing financial position. Our Directors also contacted another financial institution with a view to obtaining further banking facilities. After communications with the financial institution, our Directors believe that it is relatively impracticable for us to obtain significant bank borrowings at commercially justifiable terms, or at all, without heavy reliance on personal guarantees and/or other form of collaterals provided by our Controlling Shareholders.

It has been our goal to minimise connected transactions and related party transactions in order to achieve operational and financial independence from our Controlling Shareholders, executive Directors and their respective associates and to attain sustainable growth. Continuous reliance on our Controlling Shareholders, executive Directors and their respective associates for provision of personal guarantee and other form of financial assistance is thus a great hindrance to our Group in achieving financial independence. Our Directors therefore consider that it would not be in the interest of our Group to rely on debt financing that involve personal guarantees and/or collaterals provided by our Controlling Shareholders, executive Directors and their respective associates. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees to be provided by the Controlling Shareholders. It is anticipated that additional bank borrowings to our Group would require the Controlling Shareholders to provide additional guarantee if the Company were not listed. This is supported by the fact that (i) the lending bank is willing to release the guarantee provided by Mr. Adam Cheung, our Controlling Shareholders, subject to, among other things, our Company being successfully listed on the Stock Exchange; and (ii) our banking facilities credit limit lowered after releasing legal charge on the properties of Mr. Adam Cheung.

Our Directors decided to opt for equity financing for the purpose of the expansion plan instead of solely relying on debt financing for the following reasons: (i) solely relying on debt financing will result in significant interest expenses as well as increase of our Group's gearing ratio, hence resulting in our Group having less attractive financing terms offered by banks and other financial institutions, as well as being rated less favourably by our customers when they assess our financial condition during the evaluation of our tender submissions; (ii) it is not required for us to retain a portion of our business income for loan repayment under equity financing and our Company can retain the flexibility and capability for business development of our Group and for dividend payment; (iii) the use of debt financing for a relatively significant amount and the subsequent renewal of the debt will subject our Group to risk of increasing financing costs if the interest rate rises; and (iv) debt financing and equity financing are not mutually exclusive, but our Group may have a better position to bargain for more favourable terms from debt financiers if our Group has a larger equity base after the Listing and become a listed company. As such, our Directors are of the view that equity financing would be more preferable to our Group and our Shareholders as a whole than debt financing in raising capital to finance our expansion plan.

In light of the above, our Directors believe that additional funding is required for our Group to enhance our available financial resources and strengthen our liquidity position. Otherwise, it will exert pressure on the working capital of our Group or cause postponement in implementing the expansion plan.

We endeavour to adopt a prudent financial management strategy and strive to maintain at all material times a reasonable level of working capital buffer to support our general operations, funding obligations and capital commitment while providing room for undertaking new projects and avoiding excessive borrowings or reliance on our Controlling Shareholders.

Our Directors believe that equity fundraising would be more sensible and preferable as an efficient and sustainable fund-raising platform which could enable us to gain direct access to the equity capital market to raise funds for our future expansion and business development when needed, while advances from our Controlling Shareholders may only satisfy our short term funding needs and may be affected by our Controlling Shareholders' other personal financial needs from time to time.

Approximately HK$39.9 million, or 44.3% of the total net proceeds from the Share Offer will be allocated to payment for upfront costs. We intend to utilise such amount for payment of upfront costs for awarded projects to be commenced in the third quarter of FY2019 and for projects already commenced but with peak amount of works expected to occur in the third quarter of FY2019. For illustration purpose, should such amount be utilised for payment of upfront costs for our potential projects, based on the average of the maximum amount of accumulative net cash outflow as a percentage of original contract sum of approximately 22.9% for customers other than Sanfield, we could tender for new projects with an aggregate original contract sum of approximately HK$174.2 million.

Accordingly, our Directors consider that there is a genuine need to raise additional fund from the Listing so as to expand our business and capture the business opportunities in the market. Without the proceeds from the Share Offer, our Group would have to finance the awarded projects and our operations and issuance of performance bonds through (i) cash generated from operations; (ii) banking facilities with stringent financing terms; and (iii) heavy reliance on our Controlling Shareholders by way of advances from related parties, hence limiting our ability to undertake additional potential projects and expand the scale of our operations as planned. Our Directors therefore believe that the Share Offer will provide us with the necessary capital to implement our future plans as set out in the section headed "Business" in this prospectus.

USE OF PROCEEDS

We may have to decline certain tender or quotation invitations due to financial constraints or lack of staff or lack of machinery. During the Track Record Period and up to the Latest Practicable Date, we had received 576 tender or quotation invitations for wet trades projects, of which for 337 tender or quotation invitations we had either declined or submitted a less competitive tender price due to financial constraints or lack of staff or lack of machinery. Subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded two new projects. Based on the contracts and the best estimation of our Directors with reference to tender price, the aggregate original contract sum amounted to approximately HK$48.2 million. As at the Latest Practicable Date, we had 16 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced). The aggregate original contract sum of our projects on hand as at the Latest Practicable Date amounted to approximately HK$947.1 million. For details, please refer to the section headed "Business — Our projects — 'Projects on hand'" in this prospectus. Our contract value on hand as at the Latest Practicable Date amounted to approximately HK$343.5 million. Considering the above, our Directors believe that it is imperative for us to strengthen our financial position, expand our manpower and acquire additional machinery so that we can seize the profitable opportunities and expand our business when we receive attractive tender or quotation invitations.

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer based on the Offer Price of HK$0.20 per Share, will be approximately HK$90.0 million. Our Directors presently intend to apply such net proceeds as follows:

- HK$39.9 million, or 44.3% of the total net proceeds from the Share Offer, will be allocated to payment for upfront costs;
- HK$18.7 million, or 20.8% of the total net proceeds from the Share Offer, will be allocated to expansion of workforce;
- HK$9.9 million, or 11.0% of the total net proceeds from the Share Offer, will be allocated to upgrading our office facilities and information technology system;
- HK$8.3 million, or 9.2% of the total net proceeds from the Share Offer, will be allocated to acquiring machinery and equipment;
- HK$7.5 million, or 8.3% of the total net proceeds from the Share Offer, will be allocated to payment of performance bonds;
- HK$3.2 million, or 3.6% of the total net proceeds from the Share Offer, will be allocated to renting a new warehouse; and
- HK$2.5 million, or 2.8% of the total net proceeds from the Share Offer, will be allocated to acquiring safety equipment and tools.

(i) Payment for upfront costs

Approximately HK$39.9 million, representing approximately 44.3% of the net proceeds, will be allocated to payment for upfront costs which arise from (i) net cash outflow at the early stage of a project and (ii) net cash outflow during the project until the cash flow breakeven.

We may experience net cash outflow at the early stage of a project as we are required to bear expenses upfront prior to the first payment received from our customers. Further, we generally continue to experience net cash outflow even after the first payment received from our customers, as a result of difference in time between receipt of progress payments from our customers and payments to our suppliers and subcontractors. Our customers make progress payments according to our work progress, and such payments need to be certified by our customers. In addition, the credit term granted to us by our subcontractors (typically within two weeks from the date of their payment application) is shorter than the credit term granted by us to our customers (typically 17 days to 60 days from the date of our payment application). Due to (i) the difference in the credit term granted to us by our subcontractors and the credit term granted by us to our customers; and (ii) the time required for assessing completion progress and making payment application, our cash outflow may represent our costs incur in the previous month while our cash inflow may represent our work done of the past one to two months.

Based on the experience of our Directors, the amount of work over the duration of a project generally exhibits an increasing trend at the early stages up to the peak amount of works. We expect a continual net cash outflow even after the first payment received from our customers with the increasing costs incur such as subcontracting fees. In addition, where our contracts provide that our customers shall be entitled to retention money, 50% of the retention money will be released upon completion of the project and the remaining retention money will be released upon expiry of the defects liability period. Furthermore, we may be required to take out performance bonds issued by banks or authorised insurers in the amount of certain percentage of the contract sum in favour of our customers for a project we were awarded. In some of our projects during the Track Record Period, the performance bond and retention money requirements were both present. Please refer to the paragraph headed "Use of proceeds — (v) Payment of performance bonds" in this section for details of our allocation of net proceeds for payment of performance bonds. Accordingly, our cash flows typically turn from net cash outflows into net cash inflows gradually as the project progresses.

The average cash flow breakeven period in executing a project during the Track Record Period is approximately 6.8 months. The average cash flow breakeven period in executing a project for projects with an original contract sum greater than HK$50 million during the Track Record Period is approximately 10.4 months. Our Directors believe that the funding needs arising from the difference in credit terms between our customers and subcontractors cannot be managed by implementation of alternative measures, including short-term bank borrowings or credit terms re- negotiation because:

(i) when executing a project, although a cash outflow (e.g. payment to supplier or subcontractor) may be followed by a cash inflow (i.e. payment from customer) in a relatively short period of time, the accumulated amount of cash outflow would typically exceed the accumulated amount of cash inflow during the early stage of a project, resulting in the average of the maximum amount of accumulative net cash outflow as a percentage of original contract sum for Sanfield of approximately 8.0% and that for other customers of approximately 22.9% based on our projects completed during the Track Record Period; and, as mentioned above, it took approximately 6.8 months on average during the Track Record Period for a project to achieve accumulated cashflow breakeven, which, in the opinion of our Directors, is a relatively long period of time;

(ii) credit terms re-negotiation may damage our creditworthiness from the perspective of our subcontractors, which, in turn, may decrease our bargaining power over negotiations for credit terms in the future;

(iii) credit terms re-negotiation may harm our long-term and stable relationship with our subcontractors which is crucial for ensuring consistent quality construction services provided by our subcontractors, and avoiding labour shortage throughout the project period;

(iv) credit terms re-negotiation may impair our market reputation as we consider good payment record as one of our competitive strengths;

(v) our unutilised banking facility of approximately HK$15.7 million as at 30 June 2019 is not sufficient to support our Group's future expansion considering the expected upfront costs ratio of 8.0% for Sanfield and 22.9% for other customers; and

(vi) our Directors believe that it is relatively impracticable for us to obtain additional bank borrowings at commercially justifiable terms, or at all, without heavy reliance on personal guarantees and/or other forms of collaterals provided by our Controlling Shareholders.

Since the credit term and retention money of Sanfield is different from other customers as discussed in the paragraph headed "Higher working capital level is required in view of expanding our customer base" in this section, based on our projects completed during the Track Record Period, the average of the maximum amount of accumulative net cash outflow as a percentage of original contract sum for Sanfield is approximately 8.0%, whereas the average of the maximum amount of accumulative net cash outflow as a percentage of original contract sum for customers other than Sanfield is approximately 22.9%.

We intend to allocate approximately HK$28.6 million, for payment of upfront costs for awarded projects. The table below illustrates calculation of the expected upfront costs required for projects awarded to us as at the Latest Practicable Date:

Awarded projects expected to be commenced in the third quarter of FY2019

Company Reference	Location	Customer	Original contract sum *HK$'000*	Expected upfront costs ratio	Expected upfront costs	Allocation of proceeds *HK$'000* *(Note)*
P48	A residential development project in Tseung Kwan O	Customer C	104,073	22.9%	23,833	21,347
P49	A residential development project in Tuen Mun	Sanfield	59,991	8.0%	4,799	3,274
P50	A residential development project in Tseung Kwan O	Paul Y. Builders Limited	21,565	22.9%	4,938	4,001
				Total:	33,570	28,622

Note: The allocation of proceeds have been taken into account net cash outflow of the projects which had been financed by internal resources of our Group.

For the remaining amount of approximately HK$11.3 million, our Directors expect to utilize such amount for payment for upfront costs for projects already awarded and commenced but with peak amount of works expected to occur in the third quarter of FY2019. The amount of work done typically exhibit an increasing trend at the early stages of the project. For some of our projects, our Directors expect that the amount of work will soar a few months after the commencement date upon instructions from our customers. Based on the instructions given by our customers, our Directors consider that although projects P40, a residential development project in Tin Shui Wai with original contract sum of approximately HK$197.1 million, and P45, a residential development project in Tai Wai with original contract sum of approximately HK$56.8 million, already commenced in FY2018, the peak amount of works will occur during the third quarter of FY2019 (Project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus). Having considered the current and estimated future upfront cost ratio, the commencement date of period with peak amount of works and the expected breakeven period of projects P40 and P45, the expected upfront cost to be incurred during the period with peak amount of works will be more than HK$11.3 million. For any shortfall on the upfront cost required, our Directors intend to utilise internal resources of our Group. We therefore allocate a portion of the net proceeds to pay upfront costs for our commenced projects which peak amount of works are yet to occur.

(ii) ***Expansion of workforce***

Approximately HK$18.7 million, representing approximately 20.8% of the net proceeds, will be used for expansion of our workforce.

As at the Latest Practicable Date, we had 42 employees, including three management staff, seven administration, accounting and finance staff, 29 project management and site staff (of which 16 were site foreman or site foreman assistants) and three quantity surveyors. Our Directors consider that we should allocate at least one site foreman in each construction site to control quality of work. In light of our 16 projects on hand as at the Latest Practicable Date with contract value on hand of approximately HK$343.5 million, our Directors consider that our existing staff had been fully utilised and we have an imminent need to expand our manpower. Further, during the Track Record Period, our Directors assisted in certain administrative functions such as human resources and purchasing. In view of our expansion plan, our Directors intend to delegate their administrative duties to new administrative staff and focus on their respective management duties such as overseeing project management and business development of our Group. Although we generally submit tenders/quotations for our potential projects having regard to our currently available manpower resources, there is no assurance that we will be able to solely rely on our existing manpower resources for the projects which we have tendered because (i) our projects on hand may be subject to delay and continue to take up our manpower resources; and (ii) we may be required to perform additional works for our projects on hand, thus rendering us unable to release certain manpower for projects which we have tendered.

Our ability to capture the emerging business opportunities and expand our business could be impeded if the level of our existing manpower resources remain unchanged. Therefore, our Directors consider that in view of our business expansion plan, we need to hire additional management, office staff and site staff to cope with our expansion plan. With our expanding operation scale, our Directors believe that we have reached an operation scale which justifies opening new positions such as tender manager and legal consultant.

We will also be able to enhance our quality control over subcontractors at the construction sites and the quality of wet trades works performed by our subcontractors, thereby encouraging our existing customers to continue to engage us for future projects and build up our reputation within the wet trades works industry in Hong Kong to attract new customers.

Moreover, the average age of our workforce was 42 as at 31 March 2019. Our Directors believe that hiring younger workforce can bring fresh perspective to our business, cooperate with the company's experienced management, and equip us better to respond to continuously changing work processes and technology.

We intend to take the safety function in-house through the recruitment of safety managers, safety officers and safety supervisors instead of continuing to engage external safety consultants in order to have better quality control over the safety in construction sites. As disclosed in the section headed "Business — Non-compliance" in this prospectus, during the Track Record Period, Pak Fai failed to appoint a registered safety auditor to conduct safety audit at the corporate level and in relation to four projects. The breach was due to mistaken belief that only the main contractor has to perform this duty. Our Directors consider that in-house safety specialists can provide dedicated occupational health and safety advice to our management and help to ensure future compliance of the relevant safety laws and regulations. Further, according to the Industry Report, the construction industry, especially the wet trades works market, has been experiencing an aging workforce. According to the Construction Industry Council, the proportion of high-aged (i.e. aged 40 and above) construction workers reached approximately 65.8% in 2018. Our Directors are of the view that our occupational health and safety policies should take into account the safety needs of older workers and having an in-house safety function is one of our work safety initiatives. An in-house safety function can also better equip us to meet the stringent safety standards of our customers.

The above allocation of net proceeds for expanding our workforce is expected to cover up to approximately 18 months' worth of salaries of the additional staff, which is considered by our Directors to be commercially prudent and sensible after taking into account the estimated timing of additional income and cash inflows to be generated as a result of the expansion of workforce and the uncertainties associated thereof. Our Directors consider that our Group should secure funding to cover the salaries of such additional staff for a period at least from the expected time of hiring up to the time when the additional workforce is able to generate sufficient additional income and cash inflows that enables us to cover the increased staff costs.

The following table sets out the particulars of staff by different functions we intend to recruit upon Listing:

New positions

Position	Qualification	Years of experience	Approximate monthly salary *HK$'000*	No. of headcounts	Total salary for 18 months *HK$'000*
Legal consultant	— Solicitor admitted in Hong Kong	5 years or above	53	1	954
Engineer	— Degree in Engineering — Registered engineer	5 years or above	53	1	954
Quality manager	— Relevant experience in ISO qualification	10 years or above	50	1	900
Tender manager	— Relevant experience in the construction industry	10 years or above	49	1	882
Chauffeur	Not applicable	2 years or above	20	1	360
				Total	4,050

Existing positions with new headcounts

Position	Qualification	Years of experience	Approximate monthly salary *HK$'000*	No. of headcounts	Total salary for 18 months *HK$'000*
Safety and environment manager	— Degree holder — Registered safety officer	10 years or above	50	1	900
Safety officer *(Note)*	— Registered safety officer	10 years or above	30	2	1,080
Safety supervisor	— Holder of relevant safety certificate	5 years or above	19	2	684

Note: During the Track Record Period, we engaged external consultants to provide safety officer services.

Position	Qualification	Years of experience	Approximate monthly salary *HK$'000*	No. of headcounts	Total salary for 18 months *HK$'000*
Quantity surveyor manager	— Degree in quantity surveying or building technology — Members of the Hong Kong Institute of Surveyors or members of the Royal Institute of Chartered Surveyors or registered professional surveyors	10 years or above	59	1	1,062
Quantity surveyor	— Degree in quantity surveying or building technology	3 years or above	38	1	684
Accountant	— Degree in accounting	3 years or above	28	1	504
Accounting manager	— Degree in accounting — Certified public accountant	5 years or above	40	1	720
Human resources and administrative manager	— Degree holder in human resources, business or related disciplines	2 years or above	23	1	414
Tender officer	— Degree holder — Relevant experience in the construction industry	3 years or above	30	1	540
Site foreman	— Diploma holder — Relevant experience in the construction industry	10 years or above	48	3	2,592
Purchasing officer	— Degree holder — Relevant experience in the construction industry	5 years or above	30	1	540
				Total	9,720

The following table sets out the particulars of staff by different functions we intend to recruit three months after Listing:

Position	Qualification	Years of experience	Approximate monthly salary *HK$'000*	No. of headcounts	Total salary for 18 months *HK$'000*
Quantity surveyor	— Degree in quantity surveying or building technology	3 years or above	38	2	1,368
Site foreman	— Diploma holder — Relevant experience in the construction industry	10 years or above	48	3	2,592
Tender officer	— Degree holder — Relevant experience in the construction industry	3 years or above	30	1	540
Human resources and administrative manager	— Degree holder in human resources, business or related disciplines	2 years or above	23	1	414
				Total	4,914

(iii) Upgrading our office facilities and information technology system

Approximately HK$9.9 million, representing approximately 11.0% of the net proceeds, will be used for office expansion, including (a) renovation of our existing offices; (b) leasing an additional office; and (c) upgrading our information technology system.

(a) Renovation of our existing offices

Our Directors have taken into account the following factors in determining a renovation of our existing offices located in Room 9, 2/F., Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon. We intend to transform our existing main office to a meeting room to have internal meetings with our project management and site staff and meetings with our potential and existing customers. Our Group currently has no meeting room large enough to conduct our internal meetings. We believe a presentable meeting room is essential for our daily operation and to enhance our corporate image, thus bolstering our customers' confidence in us and attracting new customers. Based on the above, our Directors decide to conduct a major renovation in our abovementioned existing office. In this regard, we intend to allocate our expected net proceeds to the following items:

Item	**Approximate costs**
	HK$'000
Renovation costs	1,425
Acquiring additional office equipment	528
Total:	1,953

(b) Leasing an additional office

In view of our plan to recruit more staff, we believe the number of staff who work primarily in our offices will increase from nine as at 31 March 2019 to 28 by the end of 2019. In line with our expansion and to accommodate these additional staff, we intend to rent a new office space with a gross floor area of approximately 2,500 sq. ft. in the proximity of our existing office. Our Directors intend to lease an additional office with a gross floor area of approximately 2,500 sq.ft. for the following reasons:

(i) Our existing offices are too crowded considering the number of staff who work primarily in office and our office space available. Each of our office staff occupied approximately 99.2 sq.ft office space on average as at 31 March 2019. According to the Industry Report, the typical office space in Hong Kong generally ranges from 80 sq.ft. net per employee to 180 sq.ft. net per employee, subject to the business category, headcount, setting (e.g. open or enclosed) of the office and amenities. Each of the management staff generally requires approximately 150 sq.ft. to 400 sq.ft. office space, each of the other staff generally requires approximately 80 sq.ft. to 150 sq.ft. office space and 10 sq.ft. to 30 sq.ft. per employee is generally required for common area (e.g. pantry) and conference room.

(ii) We store both frequently accessed documents and infrequently accessed documents in the warehouse in To Kwa Wan district due to limited office space, which is not preferable as this increases our document filing and retrieval time. We plan to keep the frequently accessed documents within the new larger office space to improve work efficiency.

(iii) Our Directors believe that comfortable workspace can improve our employees' wellbeing thus enhancing productivity.

It is expected that the rent for the expected office would be approximately HK$90,000 per month after considering the rent for similar property within the proximity of our existing office. In this regard, we intend to allocate our expected net proceeds to the following items:

Item	**Approximate costs**
	HK$'000
Rental expense for 18 months	1,620
Renovation costs	3,100
Electrical appliances	722
Computer system and others	800
Total:	6,242

(c) Upgrading our information technology system

Our Directors plan to acquire a subcontractor payroll system to enhance documentation and automate manual procedures such as recording hours worked by subcontractor's workers. In view of our expansion of operation scale, our Directors are of the view that implementation of information technology systems can save costs in the long run, reduce operational risks, thus improving accuracy and our quality control. We intend to allocate approximately HK$1.7 million to upgrade our information technology system.

(iv) Acquiring machinery and equipment

Approximately HK$8.3 million, representing approximately 9.2% of the net proceeds, will be used for the acquisition of additional machinery and equipment such as forklifts, plaster spray machines and related parts for our projects. Our Directors believe it is imperative to continuously devote capital investment in machinery and equipment in order to maintain our competitiveness in the market and consider this is in the best interest of our Group's future development considering the following:

(a) we have a genuine need to acquire machinery and equipment in order to maintain operational efficiency and to achieve our business expansion plan.

In determining the types and quantity of machinery and equipment to be purchased in order to maintain our operational efficiency and to achieve our business expansion plan, we have considered various factors including (i) the types, quantity and operational condition of our existing machinery and equipment; (ii) the remaining useful life of existing machinery and equipment; (iii) the number of projects on hand (including projects in progress and projects awarded to us but had not yet commenced); (iv) the estimated number of potential projects to be taken up by us (including those we have submitted tenders/quotation with pending results and those we intend to tender for FY2019 and FY2020); and (v) the scale and complexity of the projects on hand and the projects to be tendered.

The deployment rate of forklifts and plaster spray machines, being our major machinery, had both reached 100.0% for the three months ended 31 March 2019, respectively. Our forklifts and plaster spray machines have an expected useful life of four years, respectively. Out of nine forklifts we owned as at 31 March 2019, two of the forklifts were used over four years. Out of 19 plaster spray machines we owned as at 31 March 2019, seven of the plaster spray machines were used over four years.

With our expanding operation scale and in order to improve our operational efficiency, our Directors believe that we have reached an operation scale which justifies purchasing our own private vehicles for transportation of tools and materials, and for our staff to travel to different construction sites which may be located in remote areas that are not easily accessible. During the Track Record Period, the number of our projects on hand had increased substantially, from 10 projects as at the end of FY2016 to 17 projects as at the end of FY2018, and to 18 projects as at 31 March 2019. As at the Latest Practicable Date, our projects on hand was 16 projects and such 16 projects covered different areas in Hong Kong, including Tseung Kwan O, Tin Shui Wai, Ma On Shan and Tai Po. With self-owned private vehicles, our staff (including our management, our site agents and quantity surveyors) can travel to different construction sites to carry out project management work more efficiently and with greater flexibility. During the Track Record Period, we engaged external logistics company to assist with the transportation of tools and materials. In certain circumstances where we place urgent orders with our suppliers, an extra transportation charge will be incurred. Transportation costs for logistic of tools and materials among our different projects sites and urgent orders from suppliers to our projects sites, as well as the associated risks in relation to the availability of logistics services and our time management, can be reduced by deploying our self-owned private vehicles.

In light of the above, our Directors believe that the quantity and operational conditions of our existing machinery and equipment are insufficient to maintain our operational efficiency in the future and incapable to cater for our future expansion plan of taking up more wet trades projects.

(b) to capture the market opportunities and to bring medium and long-term benefits to our Group, we consider that it is not sustainable to rely on renting machinery and equipment.

Our Group may need to incur significant upfront costs before commencement of and at the early stage of the projects. Please refer to the paragraph headed "Use of proceeds — (i) Payment for upfront costs" in this section for details. As we may need to pay upfront costs for renting machinery and equipment which requires cash generated from operations, our ability to finance our projects at their early stage may be hindered or we may not be able to undertake new projects as the funds have to be applied for renting machines first.

(c) we have a specific need to acquire plaster spray machines because there may not be sufficient units of machinery and equipment available for rental. During the Track Record Period, we experienced difficulty in renting sufficient quantities of plaster spray machine from our machinery and equipment rental service provider. According to the Industry Report, there is a market trend for main contractors to request wet trades works contractors to use plaster spray machines for better quality of craftsmanship and consistent quality of works. For example, Sanfield requested us to use plaster spray machines in recent projects. Our Directors believe that purchasing our own machinery and equipment is beneficial to our future growth and to ensure timely performance of our wet trades service.

(d) it is not financially sustainable to finance the acquisition of new machinery through hire purchase arrangements because of the following reasons: (i) according to the Industry Report, hire purchase arrangement for forklifts and plaster spray machines is not common in the market. Based on the research conducted by Frost & Sullivan, including interviews with machinery suppliers and financial institutions, the hire purchase arrangements for construction works machinery are generally applicable to common heavy machinery such as foundation and drilling machinery and equipment with higher unit price (e.g. over HK$1 million). In contrast, forklifts and plaster spray machines are considered light machinery with a much lower unit price at approximately HK$200,000 and approximately HK$120,000 respectively and suppliers for the aforesaid machinery in Hong Kong generally do not offer hire purchase option for customers due to high administration cost. In addition, financial institutions in Hong Kong such as banks and finance companies generally do not offer leasing option for such machinery, in particular the plaster spray machines which are specialised machinery used in wet trades works, due to relatively low unit cost compared to other heavy machinery and difficulty of resale in the case of default payment; (ii) hire purchase arrangement may require personal guarantee provided by our Controlling Shareholder; (iii) hire purchase arrangement may involve lengthy approval process therefore the necessary machinery may not be available when we commence a new project; and (iv) using finance lease arrangement as a means for our planned acquisition of forklifts will increase our finance costs and gearing ratio.

Proceeds for purchase of machineries and equipment will be mainly used to purchase the following types of machinery, equipment and consumables:

Type of machinery and equipment	**Number of items**	**Approximately unit price** *HK$*	**Approximate total amount** *HK$'000*
Forklifts	3	243,000	729
Plaster spray machines	29	120,000	3,480
Parts for plaster spray machines	2,000	1,150	2,300
Private vehicles	3	400,000	1,200
Maintenance costs for the first year following the purchase		Approximately 18,000 for each unit of forklift or plaster spray machine	576
		Total	8,285

After conducting a comparative analysis between (i) the additional monthly depreciation, repair and maintenance and storage expenses incurred for the above machinery and equipment based on a straight-line method with four years of estimated useful life; and (ii) the monthly rental cost saved with reference to the quotations obtained from lessors of the relevant machinery and equipment, our Directors consider that it is in the interest of our Group to purchase rather than to lease those machinery and equipment. The table below sets forth the estimated monthly rental cost saved and additional monthly expenses incurred from the acquisition of the machinery and equipment:

	Number of machinery	**Approximate monthly depreciation, repair and maintenance and storage expenses following the acquisition**	**Approximate monthly rental cost**
		HK$'000	*HK$'000*
Forklifts	3	21	30
Plaster spray machines	29	99	348
	Total	120	378

Parts are consumables when using plaster spray machines. Our Directors confirm that there are no rental service for such consumables in the market. Our Group typically purchases parts for plaster spray machines regardless of whether we rent or own the plaster spray machine.

Based on the table above, the approximate monthly rental cost for the machinery and equipment that our Group intends to purchase is higher than the additional depreciation expenses incurred from the acquisition of such machinery. Therefore, our Directors consider that it is more cost effective to acquire rather than to lease the above machinery and equipment.

Our Group will be able to increase our flexibility in meeting different requirements of different projects and differentiate itself from other market players if we possess various specialised machinery. Our Directors are of the view that it is necessary for our Group to have our own machines in order to cope with the gradual growth of our business. Since our Group will use more of our own machinery, the overall costs of projects can be reduced and our Group can be more competitive in our tender bids.

(v) Payment of performance bonds

Approximately HK$7.5 million, representing approximately 8.3% of the net proceeds, will be earmarked to take out performance bonds issued by banks or authorised insurers in the amount of certain percentage of the contract sum in favour of our customers for a project we were awarded. According to the Industry Report, it is not uncommon that wet trades subcontractors may be required by main contractors or subcontractors to arrange with banks or insurance companies to provide performance bonds in the amount of certain percentage (usually 10%) of the contract sum to their customers to ensure contractor's due performance and observance of a subcontract. Hence, the number of projects we are able to take on could be limited by our availability of financial resources for taking out performance bonds.

During the Track Record Period, we had been awarded two contracts, namely project P32 and project P46 (project reference number corresponds with the table disclosed in the section headed "Business — Our projects — 'Completed projects' and 'Projects on hand'" in this prospectus) with an original contract sum of approximately HK$36.0 million, in aggregate, under which we were contractually required to obtain performance bonds from a bank in order to secure our due and timely performance. Approximately HK$3.6 million of performance bond, representing 10% of the original contract sum was required to be obtained. During the Track Record Period, we financed issuance of performance bond by utilising our banking facilities.

During February 2019, we had also been awarded a contract (i.e. project P48) with an aggregate original contract sum of approximately HK$104.1 million, which was expected to be commenced in the third quarter of FY2019, and under which we were contractually required to obtain performance bonds. Approximately HK$10.4 million of performance bond, representing 10% of the original contract sum was required to be obtained. We intend to allocate approximately HK$7.5 million of the net proceeds to take out such performance bond and fund the remaining with our internal operating funds. Our unutilised banking facilities amounted to HK$15.7 million as at 30 June 2019. Our Directors consider that if we finance performance bond using our existing banking facilities, our liquidity position will be affected and our operating cashflow will be less flexible and thus consider that using net proceeds to finance performance bond is the most appropriate means.

Our Directors consider that if we are to expand our customer base and our market share and to undertake wet trades projects with a larger scale, we must continue to enhance our available financial resources and strengthen our liquidity position to satisfy the performance bond requirement for projects that may potentially be awarded to us.

(vi) Renting a new warehouse

Approximately HK$3.2 million, representing approximately 3.6% of the net proceeds, will be used for leasing a new warehouse with a gross floor area of approximately 5,000 sq. ft. for storage of our additional machinery and equipment. The sum will include rental expense, renovation costs, salary of warehouse staff and utility charges.

With the expansion plan in place, we expect that a larger premises for storing our machines is required. In this respect, we intend to rent a warehouse to cope with the expected increase of machines as a result of our business expansion in 2019. The current usage of our existing warehouse is to store our machines such as plaster spray machines and equipment but not our forklifts, when they are not being deployed in construction sites. Our Directors are of the view that the existing warehouse is insufficient to meet our future operation and intend to look for a warehouse with a gross floor area of approximately 5,000 sq. ft. It is expected that the rent for the expected warehouse would be approximately HK$45,000 per month after considering the rent for similar property in the New Territories.

The following table illustrates the expected costs in relation to renting an additional warehouse:

	Approximate unit price	**Approximate monthly expenses**	**Approximate cost for 18 months**
	HK$	*HK$*	*HK$'000*
Rental expense	—	45,000	810
Driver of crane truck	—	30,000	540
Warehouse staff	—	20,000	360
Security and related systems for safekeeping	830,000	—	830
Crane truck	673,000	—	673
			3,213

(vii) Acquiring safety equipment and tools

Approximately HK$2.5 million, representing approximately 2.8% of the net proceeds, will be used for purchase of safety equipment and tools to cater for project requirements of different projects.

The materials we used mainly comprise base plaster, tile adhesive, cement, sand brick and aggregates, while the toolings we used mainly comprise personal protective equipment such as safety belts and reflective vests, parts for plaster spray machines and wet trades works ancillary tools. The code of practice for bamboo scaffolding safety was issued by the Labour Department in September 2017 to enhance the safety requirements of bamboo scaffolding. In particular, adequate quantities of planks and toe-boards should be provided to strengthen working platforms on bamboo scaffolds. In view of this code of practice, our Directors consider that expenses for purchasing safety equipment and tools would increase in our future projects. In view of our expected increase in number of projects and the abovementioned code of practice, we intend to allocate HK$2.5 million of the net proceeds for purchasing safety equipment and tools in FY2019 and FY2020.

PUBLIC OFFER UNDERWRITERS

Koala Securities Limited

Astrum Capital Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer 65,000,000 Offer Shares (subject to re-allocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe for, or procure subscribers to subscribe for the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Public Offer Underwriting Agreement

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall be entitled by notice (orally or in writing) given to our Company to terminate the Public Offer Underwriting Agreement with immediate effect:

(a) there shall develop, occur or come into force:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

(ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

(iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(iv) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) when in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such; or

(v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or

(vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group, its substantial shareholders or any executive Directors; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries; or

(viii) any government authority, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or

(ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or

(x) and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), (i) has or may have a material adverse effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or inexpedient to proceed with the Share Offer; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any matter or event showing any of the representations and warranties contained in the Public Offer Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors or our executive Directors under the Public Offer Underwriting Agreement not to have been complied with in any respect considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material; or

(c) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any breach on the part of our Company or any of the covenantors or our executive Directors of any provisions of the Public Offer Underwriting Agreement in any respect which is considered by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material; or

(d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), the Stock Exchange, the legal adviser to the Sole Bookrunner and the Underwriters and any other parties involved in the Share Offer which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack was to be issued at that time, constitute, in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), a material omission of such information; or

(f) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) is material; or

(g) the approval of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Capitalisation Issue and under the Share Offer (including any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme) is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or

(i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or

(j) there comes to the notice of the Sole Bookrunner, the Joint Lead Managers or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

    (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Share Offer; or

    (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Share Offer (including any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme) no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders undertakes to the Stock Exchange and to our Company, respectively, that he/she/it shall not and shall procure that the relevant registered shareholder(s) shall not, save as pursuant to the Share Offer, or otherwise permitted under the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it, together with our other Controlling Shareholders, collectively would cease to be a group of controlling shareholders (as defined in the Listing Rules) of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

Each of our Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Public Offer Underwriters that, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, none of our Controlling Shareholders will, and will procure that none of its close associates will:

(i) during the period commencing on the date of the Public Offer Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six Month Period**"), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include our Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and

(ii) he, she or it will not, during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the "**Second Six Month Period**"), enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a "controlling shareholder" (as the term is defined in the 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 Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and

(iii) until the expiry of the Second Six Month Period, in the event that he, she or it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Share Offer and the issue and allotment of Shares pursuant to the Capitalisation Issue and/or upon the exercise of the options under the Share Option Scheme, as disclosed in this prospectus, during the First Six Month Period, our Company undertakes to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders and executive Directors undertakes to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, our Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Public Offer Underwriters that save with the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), no company in our Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Public Offer Underwriters that:

(i) save with the prior written consent from the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their close associates or in which he, she or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Share Offer (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 any share or interest in any company controlled by him, her or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

(ii) in the event that notification is given to the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), when he, she or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he, she or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the "**Mortgagee**") in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their close 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 (i) above, he, she or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and the Public Offer Underwriters that our Company shall forthwith inform the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (ii) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Commissions and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive an underwriting commission of 10% of the aggregate Offer Price of the Public Offer Shares. In consideration of the Sole Sponsor's services in sponsoring the Share Offer, the Sole Sponsor will receive a financial advisory fee. Such underwriting commission and financial advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which are currently estimated to be approximately HK$40.0 million in aggregate (based on the Offer Price of HK$0.20 per Offer Share), are to be borne by us.

The Placing

The Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Placing Underwriter(s) will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriter(s) will agree to underwrite for our Placing Shares. It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement in the paragraph headed "Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

UNDERWRITERS' INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, the Public Offer Underwriters are not interested legally or beneficially in the shares of any of our Group's members or have any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. A total of initially 650,000,000 Offer Shares will be made available under the Share Offer. The Share Offer comprises:

- the Public Offer which will be offered to the public in Hong Kong of 65,000,000 Public Offer Shares (subject to re-allocation), representing 10% of the Offer Shares; and
- the Placing which will be conditionally placed with professional, institutional and other investors of 585,000,000 Placing Shares (subject to re-allocation), representing 90% of the Offer Shares.

Investors may apply for the Public Offers Shares under the Public Offer or indicate an interest, if qualified to do so, in the Placing Shares under the Placing, but may not do both.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriter(s) will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon, among others:

1. Listing

The Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer, and any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and

(ii) the execution and delivery of the Placing Underwriting Agreement.

If any of the above conditions is not fulfilled or waived on or before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published on the website of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***www.handsform.com*** on the next business 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 Public Offer Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Thursday, 15 August 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 August 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE PUBLIC OFFER

Number of Offer Shares initially offered

Our Company is initially offering 65,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer. Subject to the re-allocation of Offer Shares between (i) the Placing; and (ii) the Public Offer as mentioned below, the number of the Public Offer Shares will represent approximately 2.5% of our Company's issued share capital immediately after completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued upon any exercise of any options which may be granted under the Share Option Scheme.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Public Offer" in this section.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total available Shares under the Public Offer (after taking into account of any re-allocation of Offer Shares between the Public Offer and the Placing) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. Accordingly, the maximum number of Public Offer Shares initially in pool A and pool B will be 32,500,000 and 32,500,000 respectively. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B, as well as in the same pool, may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the "price" for Offer Shares means the price payable on application. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 32,500,000 Public Offer Shares are liable to be rejected.

Re-allocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to re-allocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner will have the discretion (but shall not be under any obligation) to re-allocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Bookrunner deems appropriate;

(ii) if the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of the Offer Shares initially available for subscription under the Public Offer, then 65,000,000 Offer Shares may be re-allocated to the Public Offer from the Placing so that the total number of the Offer Shares available under the Public Offer will be 130,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Share Offer;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available for subscription under the Public Offer, then 130,000,000 Offer Shares will be re-allocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 195,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;

(iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available for subscription under the Public Offer, then 195,000,000 Offer Shares will be re-allocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 260,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and

(v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available for subscription under the Public Offer, then 260,000,000 Offer Shares will be re-allocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 325,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

(b) Where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 65,000,000 Offer Shares may be re-allocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offering will be increased to 130,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of re-allocation of Offer Shares from the Placing to the Public Offer in the circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be re-allocated as between these offerings at the discretion of the Sole Bookrunner and pursuant to Guidance Letter HKEx-GL91-18 issued by the Stock Exchange and Practice Note 18 of the Listing Rules.

Applications

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the Offer Price of HK$0.20 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 585,000,000 Shares (subject to re-allocation). Subject to any re-allocation of Offer Shares between the Placing and the Public Offer, the Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer without taking into account any Shares which may be issued and allotted upon any exercise of the options which have been or may be granted under the Share Option Scheme.

The Placing is subject to the same conditions as stated in the paragraph "Conditions of the Public Offer" above in this section.

Allocation

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Reduction in the number of Offer Shares

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at ***www.hkexnews.hk*** and our website at ***www.handsform.com*** notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares will be final and conclusive.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. As soon as practicable of such reduction of the number of Offer Shares, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Public Offer was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications.

In the absence of any notice and/or supplemental prospectus published, the number of Offer Shares will not be reduced.

In the event of a reduction in the number of Offer Shares, the Sole Bookrunner may, at its discretion, re-allocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Public Offer Shares to be offered in the Public Offer and the Placing Shares to be offered in the Placing may, in certain circumstances, be re-allocated between the Public Offer and the Placing solely in the discretion of the Sole Bookrunner.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, such applications can be subsequently withdrawn if the number of Offer Shares is so reduced.

The levels of indication of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares under the Public Offer, are expected to be announced on Thursday, 15 August 2019 in the manner set out in the section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

COMMENCEMENT OF DEALINGS

Assuming the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 16 August 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 16 August 2019. The Shares will be traded in board lots of 10,000 Shares each. The stock code of the Company is 1920.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **eWhite Form** Service Provider at ***www.ewhiteform.com.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.

Our Company, the Sole Bookrunner, the **eWhite 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 Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **eWhite Form** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide 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 Sole Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **eWhite Form** for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through ***www.ewhiteform.com.hk***.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 6 August 2019 until 12:00 noon on Friday, 9 August 2019 from:

(i) the following address of the Public Offer Underwriters:

Koala Securities Limited
Units 01-02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Astrum Capital Management Limited
Room 2704, 27th Floor, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

(ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Address
Hong Kong Island	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central, Hong Kong
Kowloon	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan, Kowloon
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tai Hing Branch	Shop 21-23 Tai Hing Commercial Complex, Tai Hing Estate, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 6 August 2019 until 12:00 noon on Friday, 9 August 2019 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 "ICBC (ASIA) NOMINEE LIMITED — HANDS FORM HOLDINGS LIMITED PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, 6 August 2019 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 7 August 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, 8 August 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, 9 August 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 9 August 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **eWhite Form** Service Provider, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Ordinance) 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 Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Co-lead Managers, will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii)(if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eWHITE FORM

General

Individuals who meet the criteria set out in "2. Who Can Apply" in this section may apply through the **eWhite Form** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at ***www.ewhiteform.com.hk***.

Detailed instructions for application through the **eWhite Form** Service Provider are 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 authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

Time for Submitting Applications under the eWhite Form

You may submit your application to the **eWhite Form** Service Provider at ***www.ewhiteform.com.hk*** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 6 August 2019 until 11:30 a.m. on Friday, 9 August 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 9 August 2019 or such later time in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **eWhite Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **eWhite Form** Service Provider to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **eWhite Form** more than once and obtaining different application 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 **eWhite Form** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (***http://ip.ccass.com***) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinances 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 Hong Kong 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 Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinances 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 our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- 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 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates: *Note*

- Tuesday, 6 August 2019 — 9:00 a.m. to 8:30 p.m.
- Wednesday, 7 August 2019 — 8:00 a.m. to 8:30 p.m.
- Thursday, 8 August 2019 — 8:00 a.m. to 8:30 p.m.
- Friday, 9 August 2019 — 8:00 a.m. to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 6 August 2019 until 12:00 noon on Friday, 9 August 2019 (24 hours daily, except on Friday, 9 August 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 9 August 2019, the last application day or such later time as described in "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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Bookrunner, the Joint Lead Managers, the Co-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 Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **eWhite Form** is also only a facility provided by the **eWhite 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. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 9 August 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **eWhite 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 our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our 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 PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **eWhite Form** Service Provider 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, or as otherwise specified on the designated website at ***www.ewhiteform.com.hk***.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

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, 9 August 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 9 August 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Offer Shares on Thursday, 15 August 2019 on the Company's website at ***www.handsform.com*** and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.handsform.com*** and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 9:00 a.m. on Thursday, 15 August 2019;
- from the designated results of allocations website at ***www.ewhiteform.com.hk/results*** with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Thursday, 15 August 2019 to 12:00 midnight on Wednesday, 21 August 2019;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 15 August 2019 to Wednesday, 21 August 2019 (excluding Saturday and Sunday or public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 15 August 2019 to Tuesday, 20 August 2019 at all the receiving bank designated branches and sub- branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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 to the **eWhite Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinances (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinances) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the **eWhite 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 Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **eWhite Form** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 15 August 2019.

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 Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** 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

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 15 August 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 16 August 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 August 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 15 August 2019 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Offer Shares or more, please follow the same instructions as described above. 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, 15 August 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 15 August 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

  For Public Offer shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 August 2019 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 the eWhite Form Service Provider

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 August 2019, or such other date as notified by our Company in the newspapers at the date of despatch/collection of Share certificates/e-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 at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 15 August 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post 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, 15 August 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "11. Publication of Results" in this section on Thursday, 15 August 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 August 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of 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, 15 August 2019. Immediately following the credit of the Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of 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 (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 15 August 2019.

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 Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-65 received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HANDS FORM HOLDINGS LIMITED AND GRANDE CAPITAL LIMITED

Introduction

We report on the historical financial information of Hands Form Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-65, which comprises the consolidated statements of financial position as at 31 December 2016, 2017, 2018 and 31 March 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 6 August 2019 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessment, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2016, 2017, 2018 and 31 March 2019, of the Company's financial position as at 31 March 2019, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2018 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividend was declared or paid by the entities now comprising Group in respect of the Track Record Period or the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
6 August 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information of the Group

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Company and its subsidiaries for the Track Record Period (the "**Underlying Financial Statements**"). The Underlying Financial Statements have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Three months ended 31 March	
		2016	2017	2018	2018	2019
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	*6*	151,978	245,034	431,819	91,260	139,409
Costs of services		(135,955)	(217,089)	(378,953)	(80,340)	(122,138)
Gross profit		16,023	27,945	52,866	10,920	17,271
Other income	*7*	154	162	821	270	12
(Decrease) increase in fair value of an investment property	*15*	(60)	490	730	—	—
(Allowance for) reversal of impairment losses		—	—	(326)	659	88
Administrative expenses		(2,424)	(3,040)	(3,588)	(745)	(1,728)
Finance costs	*8*	(82)	(253)	(82)	(5)	(90)
Listing expenses		—	—	(2,024)	—	(9,924)
Profit before taxation	*9*	13,611	25,304	48,397	11,099	5,629
Income tax expense	*10*	(2,217)	(4,034)	(8,076)	(1,680)	(2,408)
Profit and total comprehensive income for the year/period		11,394	21,270	40,321	9,419	3,221
Earnings per share — Basic (HK cents)	*13*	0.58	1.09	2.07	0.48	0.17

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company
		As at 31 December			As at 31 March	As at 31 March
		2016	**2017**	**2018**	**2019**	**2019**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	*14*	1,825	1,966	7,918	8,191	—
Investment property	*15*	4,040	4,530	—	—	—
		5,865	6,496	7,918	8,191	—
Current assets						
Trade receivables	*16*	12,598	23,775	31,189	26,760	—
Other receivables, deposits and prepayments	*17*	188	1,898	4,081	5,120	4,556
Amount due from a director	*18a*	2,192	2,557	16,149	8,516	—
Contract assets	*19*	26,010	34,091	83,604	102,182	—
Bank balances and cash	*20*	613	13,135	18,123	6,671	—
		41,601	75,456	153,146	149,249	4,556
Current liabilities						
Trade and other payables	*21*	15,496	30,593	54,846	62,107	8,245
Amount due to a subsidiary	*18b*	—	—	—	—	8,159
Contract liabilities	*19*	6,210	6,191	2,737	1,839	—
Income tax payable		4,316	8,345	6,570	8,942	—
Bank overdrafts	*22*	5,896	—	15,575	1,358	—
Bank borrowings	*22*	—	—	5,209	3,810	—
		31,918	45,129	84,937	78,056	16,404
Net current assets (liabilities)		9,683	30,327	68,209	71,193	(11,848)
Total assets less current liabilities		15,548	36,823	76,127	79,384	(11,848)
Non-current liability						
Deferred tax liabilities	*23*	277	282	126	162	—
Net assets (liabilities)		15,271	36,541	76,001	79,222	(11,848)
Capital and reserves (deficits)						
Share capital	*24*	600	600	600	—*	—*
Reserves (deficits)		14,671	35,941	75,401	79,222	(11,848)
		15,271	36,541	76,001	79,222	(11,848)

* The amount is less than HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Other reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
At 1 January 2016	600	—	3,277	3,877
Profit and total comprehensive income for the year	—	—	11,394	11,394
At 31 December 2016	600	—	14,671	15,271
Profit and total comprehensive income for the year	—	—	21,270	21,270
At 31 December 2017	600	—	35,941	36,541
Adjustments *(Note 3)*	—	—	(861)	(861)
At 1 January 2018	600	—	35,080	35,680
Profit and total comprehensive income for the year	—	—	40,321	40,321
Shares issued *(Note 24)*	—	—	—	—
At 31 December 2018	600	—	75,401	76,001
Profit and total comprehensive income for the period	—	—	3,221	3,221
Share issued *(Note 24)*	—*	—	—	—*
Effect of Reorganisation** *(Note)*	(600)	600	—	—
At 31 March 2019	—*	600	78,622	79,222
For the three months ended 31 March 2018 (unaudited)				
At 1 January 2018	600	—	35,080	35,680
Profit and total comprehensive income for the period	—	—	9,419	9,419
At 31 March 2018 (unaudited)	600	—	44,499	45,099

* The amount is less than HK$1,000.

** As defined in Note 2.

Note: In streamlining the group structure, Mr. Cheung Kwok Fai Adam ("**Mr. Adam Cheung**") and Ms. Cheung Lai Chun ("**Ms. LC Cheung**") transferred their entire equity interest in Pak Fai Engineering Limited ("**Pak Fai**") to Creative Panda Limited ("**Creative Panda**") in consideration for Creative Panda allotting and issuing 1 ordinary shares to Autumn Well Limited ("**Autumn Well**"), and transferred their entire equity interest in Ma Yau Engineering Limited ("**Ma Yau**") to Vintage Charm Limited ("**Vintage Charm**") in consideration for Vintage Charm allotting and issuing 1 ordinary shares to Autumn Well. Details of which are set out in Note 2 vi.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	13,611	25,304	48,397	11,099	5,629
Adjustments for:					
Depreciation of property, plant and equipment	221	251	311	102	168
Allowance for (reversal of) impairment losses	—	—	326	(659)	(88)
Fair value losses (gains) on investment property	60	(490)	(730)	—	—
Finance costs	82	253	82	5	90
Operating cash flow before movement in working capital	13,974	25,318	48,386	10,547	5,799
Movements in working capital:					
Decrease (increase) in trade receivables	1,781	(11,177)	(7,877)	10,057	4,767
(Increase) decrease in other receivables, deposits and prepayments	(188)	(210)	(3,683)	(93)	2,941
(Increase) decrease in contract assets	(4,416)	(8,081)	(50,407)	13,960	(18,828)
Decrease in contract liabilities	(3,834)	(19)	(3,454)	(4,239)	(898)
(Decrease) increase in trade and other payables	(6,510)	15,097	24,372	(10,120)	5,555
Cash generated from (used in) operations	807	20,928	7,337	20,112	(664)
Payment for purchase of tax reserve certificate/income tax paid	—	(1,500)	(8,337)	(2,662)	—
Interest paid	(82)	(253)	(82)	(5)	(90)
Net cash from (used in) operating activities	725	19,175	(1,082)	17,445	(754)
INVESTING ACTIVITIES					
Repayment from (advance to) a director	492	(365)	(13,592)	(22,349)	7,633
Purchase of property, plant and equipment	—	(392)	(807)	—	(441)
Net cash from (used in) investing activities	492	(757)	(14,399)	(22,349)	7,192

CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
FINANCING ACTIVITIES					
Draw-down (repayment) of bank overdrafts	5,896	(5,896)	15,575	—	(14,217)
New bank borrowings raised	—	—	5,675	—	—
Repayment of bank borrowings	—	—	(466)	—	(1,399)
Repayment to a director	(7,868)	—	—	—	—
Issue costs paid	—	—	(315)	—	(2,274)
Net cash (used in) from financing activities	(1,972)	(5,896)	20,469	—	(17,890)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(755)	12,522	4,988	(4,904)	(11,452)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD, represented by bank balances and cash	1,368	613	13,135	13,135	18,123
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	613	13,135	18,123	8,231	6,671

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 30 January 2019. Its registered office and principal place of business is located at Room 9, 2/F, Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon, Hong Kong.

During the Track Record Period, Mr. Adam Cheung and Ms. LC Cheung, who are siblings and together referred as "Controlling Shareholders", collectively controlled Pak Fai and Ma Yau, the major operating subsidiaries of the Group.

The Company is an investment holding company and the principal activities of the operating subsidiaries, as set out in the Note 30, are provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works.

The Historical Financial Information is expressed in HK$, which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA, and the principles of common control combination has been applied for the preparation of the Historical Financial Information.

In preparing for the initial listing of the shares of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the "**Reorganisation**") as described below.

The Reorganisation comprised the following steps:

(i) Incorporation of Wonderful Renown Limited ("Wonderful Renown")

Wonderful Renown, a company not forming part of the Group, was incorporated in the British Virgin Island ("**BVI**") with liability limited by shares on 8 August 2018. On 3 January 2019, Wonderful Renown issued and allotted 84 and 16 ordinary shares of par value of United States dollars ("**US$**") $1.00 each to Mr. Adam Cheung and Ms. LC Cheung respectively, for cash consideration of US$84 and US$16 respectively.

(ii) Incorporation of Autumn Well

Autumn Well was incorporated in the BVI with liability limited by shares on 26 October 2018. Autumn Well is authorised to issue 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Autumn Well allotted and issued 1 ordinary share of par value of US$1.00 to Wonderful Renown, for cash consideration of US$1.00.

(iii) Incorporation of Creative Panda

Creative Panda was incorporated in the BVI with liability limited by shares on 26 October 2018. Creative Panda is authorised to issue 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Creative Panda allotted and issued 1 ordinary share of par value of US$1.00 to Autumn Well, for cash consideration of US$1.00.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

(iv) Incorporation of Vantage Charm

Vantage Charm was incorporated in the BVI with liability limited by shares on 26 October 2018. Vantage Charm is authorised to issue 50,000 shares of a single class with a par value of US$1.00 each. On 3 January 2019, Vantage Charm allotted and issued 1 ordinary share of par value of US$1.00 to Autumn Well, for cash consideration of US$1.00.

(v) Incorporation of the Company

On 30 January 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. At the time of its incorporation, the Company had an authorised share capital of HK$100,000 divided into 10,000,000 shares of par value HK$0.01 each, of which one nil-paid subscriber share was allotted and issued to the initial subscriber, which was then transferred to Wonderful Renown on the same day.

(vi) Acquisition of Pak Fai and Ma Yau

On 22 February 2019, Mr. Adam Cheung and Ms. LC Cheung as vendors, and Creative Panda as purchaser entered into a sale and purchase agreement, pursuant to which Creative Panda acquired 254,999 and 45,001 ordinary shares of Pak Fai from Mr. Adam Cheung and Ms. LC Cheung respectively, representing its entire number of issued shares in aggregate, at the notional consideration of HK$72,177,000 (which was determined with reference to the unaudited net assets value of Pak Fai as at 31 December 2018), and settled for the allotment of 1 ordinary share of Creative Panda, credited as fully paid, to Autumn Well (with the instructions from Mr. Adam Cheung and Ms. LC Cheung). Upon the completion of the above acquisition on 22 February 2019, Pak Fai became a wholly-owned subsidiary of Creative Panda.

On 22 February 2019, Mr. Adam Cheung and Ms. LC Cheung as vendors and Vantage Charm as purchaser, entered into a sale and purchase agreement, pursuant to which Vantage Charm acquired 180,000 shares and 120,000 shares of Ma Yau from Mr. Adam Cheung and Ms. LC Cheung respectively, representing its entire number of issued shares in aggregate, at the notional consideration of HK$6,623,000 (which was determined with reference to the unaudited net assets value of Ma Yau as at 31 December 2018), and settled for the allotment of 1 ordinary share of Vantage Charm, credited as fully paid, to Autumn Well (with the instructions from Mr. Adam Cheung and Ms. LC Cheung). Upon the completion of the above acquisition on 22 February 2019, Ma Yau became a wholly-owned subsidiary of Vantage Charm.

(vii) Acquisition of Autumn Well by the Company

On 28 February 2019, Wonderful Renown as vendor and the Company as purchaser entered into a sale and purchase agreement, pursuant to which the Company acquired 1 ordinary share of par value US$1.00 of Autumn Well (representing its only issued share) from Wonderful Renown, at a notional consideration of HK$78,798,324 which was determined with reference to the aggregate unaudited net asset value of Pak Fai and Ma Yau as at 31 December 2018. The consideration for acquisition was satisfied by (i) the Company credited as fully paid at par the 1 nil-paid share held by Wonderful Renown, and (ii) the Company issued and allotted 9,999 shares, credited as fully paid, to Wonderful Renown. Upon the completion of the above acquisition on 28 February 2019, Autumn Well became a direct and wholly-owned subsidiary of the Company. The issued share capital of the Company was held as to 100% by Wonderful Renown.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION *(Continued)*

Each of the Controlling Shareholders have reiterated their agreement in writing that, in respect of the arrival and/or execution of all decisions, including but not limited to the activities that significantly affect the returns of and exposure to variable returns of the Company, Pak Fai and Ma Yau, they have always been acting in concert. Since the Group, comprising Autumn Well, Creative Panda, Vantage Charm, Pak Fai and Ma Yau resulting from the Reorganisation has always been under the common control of the Controlling Shareholders throughout the Track Record Period or from the respective date of incorporation of the relevant entities, where there is a shorter period, regardless of the actual dates when they formally and legally became subsidiaries of the Company, the Group is regarded as a continuing entity and merger accounting has been applied for the preparation of the Historical Financial Information as if the Company has always been the holding company of the Group.

The Historical Financial Information has been prepared under the principles of common control combination as if the Company had been the holding company of Autumn Well, Creative Panda, Vantage Charm, Pak Fai and Ma Yau throughout the Track Record Period and as at each reporting date taking into account the respective dates of incorporation of the group entities. 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 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation of the relevant entities, where applicable.

Except for transactions undertaken for the purpose of Reorganisation as disclosed above, Autumn Well, Creative Panda and Vintage Charm have not been involved in other transaction since their respective dates of incorporation.

No statutory financial statements have been prepared by the Company since its incorporation as it was incorporated in a jurisdiction where there are no audit requirements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied HKFRSs that are effective for the financial year beginning on 1 January 2019 throughout the Track Record Period, except that the Group adopted (i) HKFRS 9 *Financial Instruments* since 1 January 2018 and HKAS 39 *Financial Instruments: Recognition and Measurement* for the years ended 31 December 2016 and 2017, and (ii) HKFRS 16 *Leases* since 1 January 2019 and HKAS 17 *Leases* for the years ended 31 December 2016, 2017 and 2018.

HKFRS 9

During the year ended 31 December 2018 and the three months ended 31 March 2019, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit loss ("**ECL**") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Classification and measurement of financial assets

Except for the impairment loss recognised based on ECL model, all financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

The table below illustrates the classification and measurement of financial instruments under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 January 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39	New carrying amount under HKFRS 9
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	Loans and receivables	Financial assets at amortised cost	23,775	23,390
Other receivables and deposits	Loans and receivables	Financial assets at amortised cost	398	398
Amount due from a director	Loans and receivables	Financial assets at amortised cost	2,557	2,557
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	13,135	13,135

Impairment of financial assets and contract assets

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue costs or efforts in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

Summary of effect arising from initial application of HKFRS 9

The table below illustrate the lifetime expected credit losses of trade receivables, contract assets and other items subject to ECL measurement under HKFRS 9 and HKAS 39 at the date of initial application, i.e. 1 January 2018.

	Trade receivables *HK$'000*	Contract assets *HK$'000*	Deferred tax liabilities *HK$'000*	Accumulated profits *HK$'000*
Closing balance at 31 December 2017 — HKAS 39	23,775	34,091	(282)	35,941
Effect arising from initial application of HKFRS 9:				
Remeasurement — impairment under ECL model	(385)	(646)	170	(861)
Opening balance at 1 January 2018	23,390	33,445	(112)	35,080

The Group applies simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets subject to same debtor have been grouped and assessed for ECL based on individual assessment. As at 1 January 2018, the impairment loss allowance on the trade receivables and contract assets of HK$385,000 and HK$646,000, respectively, have been recognised against accumulated profits of HK$861,000 after net of associated deferred tax liabilities of HK$170,000 (Note 23). The loss allowance is charged against the respective asset.

ECL for other financial assets at amortised cost mainly comprise of other receivables and deposits, amount due from a director and bank balances are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition. No loss allowance was recognised for these assets as at 1 January 2018 as the ECL for these assets is assessed to be insignificant.

Impairment loss allowance of trade receivables and contract assets as at 31 December 2017 reconcile to the opening impairment loss allowance as at 1 January 2018 is as follows:

	Trade receivables *HK$'000*	Contract assets *HK$'000*
At 31 December 2017 — HKAS 39	—	—
Effect arising from initial application of HKFRS 9:		
Amounts remeasured through opening accumulated profits	(385)	(646)
At 1 January 2018	(385)	(646)

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

HKFRS 16

Transition and summary of effects arising from initial application of HKFRS 16

The Group has applied HKFRS 16 for the first time from 1 January 2019. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

The Group applied accounting policies in accordance with the transition provisions of HKFRS 16.

Information about the Group's accounting policies resulting from the application of HKFRS 16 is disclosed in Note 4.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

	At 1 January 2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	96
Less: Recognition exemption – short-term leases	(96)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	—

Based on the assessment, the adoption of HKFRS 16 did not have significant impact on the Group's financial position nor on the financial performance. Accordingly, no adjustment has been made to the accumulated profits as at 1 January 2019.

No adjustments would be made on the consolidated financial statements of the Group for three months ended 31 March 2019 without the application of HKFRS 16.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(Continued)*

At the date of this report, the Group has not applied the following new and amendments to HKFRSs or Hong Kong Accounting Standards ("**HKASs**") that have been issued but not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

The directors of the Company consider that the application of the new and amendments to HKFRSs and HKASs is unlikely to have a material impact on the Group's financial statements in foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases* or HKFRS 16 whenever is applicable, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and companies controlled by the Company and its subsidiaries. Control is achieved when a 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 consolidation statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 business under common control

The Historical Financial Information incorporate the financial statements items of the combined business in which the common control combination occurs as if they had been combined from the date when the combining business first came under the control of the controlling party.

The net assets of the combining business are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining business from the earliest date presented or since the date when the combining business first came under the common control, where this is a shorter period.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Specifically, revenue is recognised as follows:

Revenue from provision of wet trades works

The Group provides wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works under contracts with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the Group is contractually required to perform the services at the customers' specified sites that the Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from provision of such services is therefore recognised over time using input method, i.e. based on the actual costs incurred by the Group to date compared with the total budgeted cost for the project to estimate the revenue recognised during the period. The directors of the Company consider that input method would faithfully depict the Group's performance towards complete satisfaction of these performance obligation under HKFRS 15.

Leasing

Under HKAS 17

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 lessor

Rental income from operating leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Upon the adoption of HKFRS 16 on 1 January 2019

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Upon the adoption of HKFRS 16 on 1 January 2019 *(Continued)*

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of warehouse and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Upon the adoption of HKFRS 16 on 1 January 2019 *(Continued)*

As a lessee *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

Payments made to Mandatory Provident Fund ("**MPF**") are recognised as expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefits in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deduction of any amount already paid.

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 taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary difference 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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

Property, plant and equipment

Property, plant and equipment, including leasehold land (classified as finance lease under HKAS 17), held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and 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 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.

Investment property

Investment property is a property held to earn rentals. Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at their fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment property *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible assets

At the end of each reporting period, the directors of the Company review 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. The recoverable amounts of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating-units, or otherwise they are allocated to the smallest group of cash-generating-units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Initial recognition under HKAS 39 and HKFRS 9

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Under HKAS 39

Financial assets are classified as loans and receivables.

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 or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a director, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivable where the recognition of interest would be immaterial.

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 investment have been affected.

The 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 or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Under HKAS 39 (Continued)

Impairment of financial assets *(Continued)*

Certain categories of financial assets, such as trade and other receivables, are assessed on individual basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the receivables past the credit period ranging from 17-60 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the financial assets' 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 and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Upon the adoption of HKFRS 9 on 1 January 2018

Classification of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Upon the adoption of HKFRS 9 on 1 January 2018 (Continued)

Classification of financial assets *(Continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**").

All recognised financial assets of the Group that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss using the effective interest method and is included in the "other income" line item.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Upon the adoption of HKFRS 9 on 1 January 2018 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, amount due from a director and bank balances) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contracts assets. The ECL on these assets is assessed individually for debtors based on internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Upon the adoption of HKFRS 9 on 1 January 2018 (Continued)

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group also considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Upon the adoption of HKFRS 9 on 1 January 2018 (Continued)

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over one year, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets (under both HKAS 39 and HKFRS 9)

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 party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Classification of financial liabilities and equity instruments

Financial liabilities 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 entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities including trade and other payables, bank borrowings and bank overdrafts are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, or 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 ongoing 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 is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Estimated impairment of trade receivables and contract assets

Prior to 1 January 2018, the management assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. If there is objective evidence that an impairment loss on trade receivables and contract assets has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows.

Where the actual future cash flows are less than expected, including unbilled revenue where the actual collection of receivables upon billing to customers are less than expected, an impairment loss may arise.

As at 31 December 2016 and 2017, the carrying amounts of trade receivables are HK$12,598,000 and HK$23,775,000, respectively.

As at 31 December 2016 and 2017, the carrying amounts of the contract assets are HK$26,010,000 and HK$34,091,000, respectively. No allowance for doubtful debts has been provided at 31 December 2016 and 2017, and no impairment loss is recognised during the year ended 31 December 2016 and 2017.

Starting from 1 January 2018, the Group recognises lifetime ECL for trade receivables and contract assets using individual assessment, based on the internal credit rating, the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. As at 31 December 2018 and 31 March 2019, the carrying amounts of trade receivables are HK$31,189,000 and HK$26,760,000, respectively, (net of impairment loss allowance of HK$463,000 and HK$125,000, respectively) whereas the carrying amounts of contract assets are HK$83,604,000 and HK$102,182,000, respectively (net of impairment loss allowance of HK$894,000 and HK$1,144,000, respectively).

During the year ended 31 December 2018, impairment losses of HK$78,000 and HK$248,000, net of reversal, are recognised and charged to profit or loss in respect of trade receivables and contract assets, respectively.

During the three months ended 31 March 2019, reversal of impairment losses of HK$338,000 and impairment losses of HK$250,000, net of reversal, are recognised and credited/charged to profit or loss in respect of trade receivables and contract assets, respectively.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Revenue recognition from provision of construction services

The Group recognises contract revenue and contract costs from provision of construction services using input method, based on the actual costs incurred by the Group to date compared with the total budgeted cost for the project to estimate the revenue recognised during the period.

For those on-going projects as at year end date, management reviews the construction contracts for foreseeable losses whenever there is an indication that the estimated total contract costs are likely higher than and exceed the fixed contract sum. Where the actual total costs are higher than the total contract sum, loss may arise.

The carrying amounts of contract assets and liabilities arising from provision of construction services are disclosed in Note 19.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from provision of wet trades works (including plastering on floors, walls and ceilings, tile laying on internal and external walls and floors, brick laying and marble works) and other wet trades related ancillary works.

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Type of services					
Construction services	151,978	245,034	431,819	91,260	139,409
Type of customer					
Private projects	144,197	197,973	396,933	80,798	137,910
Public projects	7,781	47,061	34,886	10,462	1,499

(ii) Performance obligations for contracts with customers

The Group derives its revenue from provision of wet trades works and other wet trades related ancillary works are recognised over time. All the Group's services are rendered directly with the customers. Contracts with the Group's customers are agreed in fixed-price with terms from 1 month to 40 months.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers that remain outstanding as at each reporting date are set out below:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision of wet trades works				
— Within one year	25,586	249,029	357,953	453,603
— More than one year but not more than two years	7,590	14,257	1,857	5,999
	33,176	263,286	359,810	459,602

(iv) Segment information

Information is reported to the Controlling Shareholders of the Company, who are also the chief operating decision maker ("**CODM**") of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews the overall results and financial performance of the Group as a whole. No analysis of the Group's results, assets or liabilities and no discrete financial information is regularly provided to the CODM. Accordingly, only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with HKFRS 8 *Operating Segments*.

The accounting policies for segment information are the same as Group's accounting policies described in Note 4.

(v) Geographical information

The Group principally operates in Hong Kong, which is also its place of domicile. The Group's non-current assets are all located in Hong Kong.

(vi) Information about major customers

The revenue from customers individually contributing over 10% of the total revenue of the Group during each of the year/period in the Track Record Period as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Customer I	94,922	115,908	181,738	64,786	55,981
Customer II	NIL	27,166	108,959	N/A*	39,726
Customer III	NIL	42,815	N/A*	10,462	NIL
Customer IV	16,909	N/A*	N/A*	N/A*	N/A*
Customer V	24,190	25,543	N/A*	N/A*	N/A*
Customer VI	NIL	NIL	45,460	N/A*	26,956

* Revenue did not contribute over 10% of the total revenue of the Group for the respective reporting period.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

7. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Rental income	154	162	135	40	—
Government subsidy *(note)*	—	—	670	228	—
Sundry income	—	—	16	2	12
	154	162	821	270	12

Note: Government grants mainly include subsidy from Construction Industry Council's Employers Subsidy Scheme, all are compensations for incurred expenses and not asset related.

8. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Interests on:					
Bank overdrafts	82	253	14	5	44
Bank borrowings	—	—	68	—	46
	82	253	82	5	90

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Auditors' remuneration *(Note i)*	—	—	—	—	—
Depreciation of property, plant and equipment					
— Recognised as costs of services	126	163	208	81	121
— Recognised as administrative expenses	95	88	103	21	47
Total depreciation	221	251	311	102	168
Directors' remuneration *(Note 11)*	1,482	1,394	1,523	385	753
Other staff costs					
— Salaries and other benefits	4,382	4,918	7,023	2,127	4,228
— Contributions to MPF	165	183	260	36	132
Total staff costs *(Note ii)*	6,029	6,495	8,806	2,548	5,113
Cost of materials and toolings recognised as costs of services	4,345	10,719	12,820	2,088	4,456
Subcontracting fees recognised as costs of services	120,939	198,113	351,054	75,270	111,413
Gross rental income from an investment property recognised as other income	(154)	(162)	(135)	(40)	—
Less: Direct operating expenses incurred for an investment property that generated rental income	5	6	3	2	—
	(149)	(156)	(132)	(38)	—

Notes:

(i) No remuneration has been incurred prior to the appointment of the Company's statutory auditor in 2018 whilst the amount involved for the year ended 31 December 2018 and the three months ended 31 March 2019 in respect of statutory audit was immaterial.

(ii) Other staff costs of HK$4,477,000, HK$4,629,000, HK$6,983,000, HK$2,099,000 (unaudited) and HK$4,027,000 were included in the costs of services for the year ended 31 December 2016, 2017, 2018 and the three months ended 31 March 2018 and 2019, respectively, the remaining staff costs were recognised in administrative expenses.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

10. INCOME TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Income tax expense comprises:					
Hong Kong Profits Tax					
— Current tax	2,250	4,029	8,062	1,586	2,372
Deferred tax *(Note 23)*	(33)	5	14	94	36
	2,217	4,034	8,076	1,680	2,408

Pursuant to the relevant tax ordinance of the Hong Kong Special Administrative Region, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period.

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	13,611	25,304	48,397	11,099	5,629
Tax at applicable tax rate of 16.5%	2,246	4,175	7,986	1,831	929
Tax effect of income not taxable for tax purpose	—	(81)	(120)	—	—
Tax effect of expenses not deductible for tax purpose	11	—	375	—	1,644
Tax effect of tax losses not recognised	—	—	—	14	—
Tax concession *(note i)*	(40)	(60)	—	—	—
Tax effect on two-tiered tax rate *(note ii)*	—	—	(165)	(165)	(165)
Taxation for the year/period	2,217	4,034	8,076	1,680	2,408

Notes:

(i) The tax concession for Hong Kong Profits Tax represents tax reduction by 75%, subject to a ceiling of HK$20,000 and HK$30,000 for each company for the year ended 31 December 2016 and 2017.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's emoluments

Mr. Adam Cheung, Mr. Ng Sheung Chung and Mr. Ma Kan Sun were appointed as executive directors of the Company on 30 January 2019. Mr. Pak Shek Kuen, Mr. Lo Chi Hung and Mr. Ho Kwok Lung were appointed as independent non-executive directors of the Company on 21 July 2019.

The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as employees/directors of the Group prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period are as follows:

Year ended 31 December 2016

	Fees	Discretionary bonus	Salaries and allowances	Contributions to MPF	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Adam Cheung	—	—	600	18	618
Mr. Ng Sheung Chung	—	150	406	18	574
Mr. Ma Kan Sun	—	40	238	12	290
Independent Non-executive Directors					
Mr. Pak Shek Kuen	—	—	—	—	—
Mr. Lo Chi Hung	—	—	—	—	—
Mr. Ho Kwok Lung	—	—	—	—	—
	—	190	1,244	48	1,482

Year ended 31 December 2017

	Fees	Discretionary bonus	Salaries and allowances	Contributions to MPF	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Adam Cheung	—	—	602	18	620
Mr. Ng Sheung Chung	—	—	430	18	448
Mr. Ma Kan Sun	—	50	262	14	326
Independent Non-executive Directors					
Mr. Pak Shek Kuen	—	—	—	—	—
Mr. Lo Chi Hung	—	—	—	—	—
Mr. Ho Kwok Lung	—	—	—	—	—
	—	50	1,294	50	1,394

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

Year ended 31 December 2018

	Fees	Discretionary bonus	Salaries and allowances	Contributions to MPF	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Adam Cheung	—	—	656	18	674
Mr. Ng Sheung Chung	—	—	462	18	480
Mr. Ma Kan Sun	—	60	294	15	369
Independent Non-executive Directors					
Mr. Pak Shek Kuen	—	—	—	—	—
Mr. Lo Chi Hung	—	—	—	—	—
Mr. Ho Kwok Lung	—	—	—	—	—
	—	60	1,412	51	1,523

Three months ended 31 March 2018 (unaudited)

	Fees	Discretionary bonus	Salaries and allowances	Contributions to MPF	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Adam Cheung	—	—	160	4	164
Mr. Ng Sheung Chung	—	—	83	4	87
Mr. Ma Kan Sun	—	60	69	5	134
Independent Non-executive Directors					
Mr. Pak Shek Kuen	—	—	—	—	—
Mr. Lo Chi Hung	—	—	—	—	—
Mr. Ho Kwok Lung	—	—	—	—	—
	—	60	312	13	385

Three months ended 31 March 2019

	Fees	Discretionary bonus	Salaries and allowances	Contributions to MPF	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Adam Cheung	—	—	175	5	180
Mr. Ng Sheung Chung	—	300	123	5	428
Mr. Ma Kan Sun	—	60	80	5	145
Independent Non-executive Directors					
Mr. Pak Shek Kuen	—	—	—	—	—
Mr. Lo Chi Hung	—	—	—	—	—
Mr. Ho Kwok Lung	—	—	—	—	—
	—	360	378	15	753

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

(i) Mr. Adam Cheung acts as chief executive of the Company with effect from 22 July 2019 and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities.

(ii) The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

(iii) No other retirement benefits were paid to directors in respect of their respective services in connection with the management of the affairs of the Company or its subsidiaries undertaking.

(iv) The executive directors' emoluments shown above were for their services in connection with the management affairs of the Group.

(v) The independent non-executive directors emoluments shown above were for their services as directors of the Company.

During the Track Record Period, no remuneration was paid by the Group to any directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

Employees' remuneration

Included in the remunerations of the five highest paid individuals are two directors for the years ended 31 December 2016, 2017 and 2018, no director for the three months ended 31 March 2018 (unaudited) and one director for the three months ended 31 March 2019 whose remunerations are disclosed above.

The remunerations in respect of the remaining highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Salaries, allowances and discretionary bonuses	1,483	1,311	1,809	1,368	1,255
Contributions to MPF	35	36	36	16	13
	1,518	1,347	1,845	1,384	1,268

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION *(Continued)*

Employees' remuneration *(Continued)*

During the Track Record Period, the remunerations of the five highest paid individuals, including two directors, are within following bands:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
					(unaudited)
Emolument bands					
Nil to HK$1,000,000	5	5	5	5	5

During the Track Record Period, no remuneration was paid by the Group to the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or any of the five highest paid individuals waived any remuneration during the Track Record Period.

12. DIVIDENDS

No dividend was declared or paid by entities now comprising Group in respect of the Track Record Period or the Company since its incorporation.

13. EARNINGS PER SHARE

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
				(unaudited)	
Earnings for the purpose of calculating basic earnings per share (profit for the year/period) (HK$'000)	11,394	21,270	40,321	9,419	3,221
	Number of Shares	*Number of Shares*	*Number of Shares*	*Number of Shares*	*Number of Shares*
Weighted average number of ordinary shares for the purpose of calculation basic earnings per share (in thousand)	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share during the year ended 31 December 2016, 2017, 2018 and the three months ended 31 March 2018 and 2019 are retrospectively adjusted based on the Reorganisation as described in Note 2 and taking into account the effect arising from Capitalisation Issue as described in Note 34.

No diluted earnings per share is presented as there were no potential dilutive shares during the Track Record Period.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000* *(Note 22)*	Fixtures *HK$'000*	Machinery and equipment *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
COST					
At 1 January 2016 and 31 December 2016	2,769	147	1,260	65	4,241
Additions	—	—	392	—	392
At 31 December 2017	2,769	147	1,652	65	4,633
Additions	—	—	1,003	—	1,003
Transferred from investment property	5,260	—	—	—	5,260
At 31 December 2018	8,029	147	2,655	65	10,896
Additions	—	—	441	—	441
Written off	—	—	(138)	—	(138)
At 31 March 2019	8,029	147	2,958	65	11,199
ACCUMULATED DEPRECIATION					
At 1 January 2016	1,204	29	910	52	2,195
Charge for the year	55	29	127	10	221
At 31 December 2016	1,259	58	1,037	62	2,416
Charge for the year	55	29	164	3	251
At 31 December 2017	1,314	87	1,201	65	2,667
Charge for the year	73	29	209	—	311
At 31 December 2018	1,387	116	1,410	65	2,978
Charge for the period	40	7	121	—	168
Written off	—	—	(138)	—	(138)
At 31 March 2019	1,427	123	1,393	65	3,008
CARRYING VALUES					
At 31 December 2016	1,510	89	223	3	1,825
At 31 December 2017	1,455	60	451	—	1,966
At 31 December 2018	6,642	31	1,245	—	7,918
At 31 March 2019	6,602	24	1,565	—	8,191

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives after taking into account the residual values:

Leasehold land and buildings	50 years
Fixtures	Shorter of 5 years and lease term
Machinery and equipment	4 years
Office equipment	5 years

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

15. INVESTMENT PROPERTY

	Investment property HK$'000
FAIR VALUE	
At 1 January 2016	4,100
Decrease in fair value recognised in profit or loss	(60)
At 31 December 2016 *(Note 22)*	4,040
Increase in fair value recognised in profit or loss	490
At 31 December 2017 *(Note 22)*	4,530
Increase in fair value recognised in profit or loss	730
Transferred to property, plant and equipment	(5,260)
At 31 December 2018 and 31 March 2019	—

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 December 2016, 2017 and 31 October 2018 (i.e. the date of transfer) has been arrived at on the basis of a valuation carried out on the respective dates by Valtech Valuation Advisory Limited (the "**Valuer**"), an independent qualified professional valuer, not related to the Group, whose method of valuation has been disclosed below. The address of the Valuer is at Room 1901, 19/F, Remington Centre, 23 Hung To Road, Kwun Tong, Hong Kong. The investment property is categorised within level 2 of the fair value hierarchy.

The fair value was determined based on the direct comparison approach that reflects sale of the property in its existing state with the benefit of vacant possession and by making reference to recent comparable sales transactions as available in the relevant market. There has been no change in the valuation technique during the Track Record Period.

During the year ended 31 December 2018, investment property with carrying amount of HK$5,260,000 was transferred to property, plant and equipment as the management had changed the use of the property to owner occupation purpose as the warehouse.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

15. INVESTMENT PROPERTY *(Continued)*

In estimating the fair value of the property, the highest and best use of the property is their current use.

	Valuation technique	Significant inputs
Flat 5, 6 Floor, Fashion Centre, 51-53 Wing Hong Street, Cheung Sha Wan, Hong Kong	Direct comparison approach	Based on price per square feet, using market observable comparable prices of similar properties ranging from HK$5,003 to HK$5,101, HK$5,610 to HK$5,719 and HK$6,520 to HK$6,647 per square feet as at 31 December 2016, 2017 and 31 October 2018 (i.e. the date of transfer) respectively and adjusted taking into account of locations and other individual factors such as floor level, size and condition of the properties

16. TRADE RECEIVABLES

	As at 1 January 2016	As at 31 December 2016	2017	2018	As at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables, net	14,379	12,598	23,775	31,189	26,760

The Group grants credit terms to customers for a period ranging from 17-60 days from the invoice date for trade receivables. The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	As at 31 December 2016	2017	2018	As at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	8,572	21,314	20,853	20,881
31 days to 60 days	4,026	2,461	9,921	5,879
61 days to 90 days	—	—	415	—
	12,598	23,775	31,189	26,760

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Limits attributed to customers are reviewed when necessary. All of the Group's trade receivables that are past due but not impaired have no history of defaulting on repayment. As at 31 December 2016 and 2017, the Group does not charge interest nor hold any collateral over the balances.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

16. TRADE RECEIVABLES *(Continued)*

The table below is an analysis of trade receivables based on invoice date as at each reporting period, net of allowance for doubtful debts:

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Not past due and not impaired *(Note i)*	8,572	21,314
Past due but not impaired *(Note ii)*	4,026	2,461
	12,598	23,775

Notes:

(i) There has not been a significant change in credit quality of these trade receivables that are not past due and not impaired.

(ii) The following is an aging analysis of trade receivables that are past due but not impaired, presented based on the due date at the end of each reporting period:

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Within 30 days	4,026	2,461
31 days — 60 days	—	—
	4,026	2,461

Prior to the application of HKFRS 9 on 1 January 2018, in determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period and no impairment is considered necessary for those balances which are not past due at each reporting date.

Included in the Group's trade receivables balances are debtors with an aggregate carrying amount of HK$4,026,000 and 2,461,000 as at 31 December 2016 and 2017 respectively which were past due at the reporting date but for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on the repayment history.

Upon the application of HKFRS 9 on 1 January 2018, the Group applied simplified approach to provide the expected credit losses prescribed by HKFRS 9.

As part of the Group's credit risk management, the Group applied individual assessment for its customers. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed individually as at 31 December 2018 and 31 March 2019. The Group does not charge interest nor hold any collateral over the balances.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

16. TRADE RECEIVABLES *(Continued)*

	Range of loss rate	As at 31 December 2018 Gross carrying amount *HK$'000*	As at 31 December 2018 Impairment loss allowance *HK$'000*	As at 31 March 2019 Gross carrying amount *HK$'000*	As at 31 March 2019 Impairment loss allowance *HK$'000*
Internal credit rating					
Low risk*	0.06%-2.25%	31,652	463	26,885	125
		31,652	463	26,885	125

* Referring to debtors have a low risk of default and do not have any prior default records and are considered as not credit impaired.

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and internal credit rating by reference to a study of other corporates' default and recovery data from international credit rating agencies, and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue costs or efforts. Such forward-looking information is used by the directors of the Company to assess both the current as well as the forecast direction of conditions at each of the reporting date.

During the year ended 31 December 2018 and the three months ended 31 March 2019, the Group recognised a net impairment losses allowance of HK$78,000, and a net reversal of impairment losses allowance of HK$338,000, respectively, based on individual assessment.

The movement in the impairment loss allowance in respect of trade receivables during the Track Record Period was as follows:

	Impairment loss allowance *HK$'000*
At 1 January 2016, 31 December 2016 and 2017	—
Initial application of HKFRS 9 *(Note 3)*	385
Reversal	(365)
Addition	443
At 31 December 2018	463
Reversal	(344)
Addition	6
At 31 March 2019	125

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables and deposits	188	398	171	564
Prepaid listing expenses	—	—	3,334	—
Deferred issue costs	—	—	576	4,556
Tax reserve certificate	—	1,500	—	—
	188	1,898	4,081	5,120

The Company

	As at 31 March
	2019
	HK$'000
Deferred issue costs	4,556

18. AMOUNT DUE FROM (TO) A DIRECTOR/A SUBSIDIARY

a. Amount due from a Director

						Maximum amounts outstanding during the year/period			
	As at 1 January	As at 31 December			As at 31 March	Year ended 31 December			Three months ended 31 March
	2016	**2016**	**2017**	**2018**	**2019**	**2016**	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-trade related									
— Mr. Adam Cheung	2,684	2,192	2,557	16,149	8,516	22,787	18,194	28,934	10,516

The balances as at 31 December 2016, 2017, 2018 and 31 March 2019 are non-trade related, unsecured, repayable on demand and interest-free.

The directors of the Company represented that the above mentioned balances as at 31 March 2019 will be settled or repaid upon the listing of the Company's shares on the Stock Exchange.

b. Amount due to a subsidiary

The Company

At 31 March 2019, the balance represent payables to a subsidiary which are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. CONTRACT ASSETS/LIABILITIES

The following is the analysis of the contract assets and contract liabilities:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	26,010	34,091	84,498	103,326
Less: impairment loss allowance	—	—	(894)	(1,144)
	26,010	34,091	83,604	102,182
Contract liabilities	(6,210)	(6,191)	(2,737)	(1,839)

Contract assets and contract liabilities arising from the same contract are presented on net basis.

Contract assets

Amounts represent the Group's rights to considerations from customers for the provision of construction services, which arise when: (i) the Group completed the relevant services under such contracts; or (ii) the customers withhold certain amounts payable to the Group as retention money to secure the due performance of the contracts for a period of generally 12 months (defect liability period) after completion of the relevant works. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional.

The Group's contract assets are analysed as follows:

	As at 1 January	As at 31 December			As at 31 March
	2016	**2016**	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Construction contracts — current					
Unbilled revenue*	14,657	18,892	24,107	61,441	79,305
Retention receivables	6,937	7,118	9,984	22,163	22,877
	21,594	26,010	34,091	83,604	102,182

* It represented the revenue not yet been billed to the customers which the Group have completed the relevant services under such contracts but yet certified by representatives appointed by the customers.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. CONTRACT ASSETS/LIABILITIES *(Continued)*

Contract assets *(Continued)*

Changes of contract assets during the Track Record Period were mainly due to increase in: (1) the amount of retention receivables in accordance with the number of ongoing and completed contracts under the defect liability period during the Track Record Period; and (2) the size and number of contract works that the relevant services were completed but yet certified by representatives appointed by the customers at the end of each reporting period.

The Group's retention receivables included in the Group's contract assets will be settled at the expiry of the defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts. The balances are classified as current as they are expected to be received within next twelve months.

Impairment assessment subject to ECL model

Upon application of HKFRS 9 on 1 January 2018, the Group applies simplified approach to measure ECL prescribed by HKFRS 9. To measure the ECL of contract assets, contract assets have been assessed based on individual assessment. As at 1 January 2018, the impairment loss allowance on the contract assets of HK$646,000 has been recognised against accumulated profits.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed individually as at 31 December 2018.

		As at 31 December 2018		As at 31 March 2019	
	Range of loss rate	Gross carrying amount	Impairment loss allowance	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Internal credit rating					
Low risk	0.06%-2.25%	84,498	894	103,326	1,144
		84,498	894	103,326	1,144

The internal credit rating classification and the expected loss rates are classified or estimated based on the same manner as those determined for trade receivables disclosed in Note 16.

The movement in the allowance for impairment in respect of contract assets during the Track Record Period was as follows:

	HK$'000
At 1 January 2016, 31 December 2016 and 2017	—
Initial application of HKFRS 9 *(Note 3 above)*	646
Reversal	(107)
Addition	355
At 31 December 2018	894
Reversal	(156)
Addition	406
At 31 March 2019	1,144

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

19. CONTRACT ASSETS/LIABILITIES *(Continued)*

Contract liabilities

The contract liabilities represents the Group's obligation to transfer services to customers for which the Group has received consideration (or the amount is due) from the customers.

The Group's contract liabilities are analysed as follows:

	As at 1 January 2016	As at 31 December 2016	2017	2018	As at 31 March 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Construction contracts — current	10,044	6,210	6,191	2,737	1,839

At 31 March 2019, the contract liabilities mainly represent the excess portion of certified revenue over the recognised revenue, the balance will be recognised as revenue for the year ending 31 December 2019.

The following table shows how much of the revenue recognised in each year/period during the Track Record Period that relates to contract liabilities carried-forward from preceding years.

	Year ended 31 December 2016	2017	2018	Three months ended 31 March 2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period	10,044	6,210	6,191	6,191	2,737

20. BANK BALANCES AND CASH

Bank balances and cash are interest-free or at nominal rate as at 31 December 2016, 2017, 2018 and 31 March 2019.

21. TRADE AND OTHER PAYABLES

The Group

	As at 31 December 2016	2017	As at 31 March 2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	15,298	29,926	52,445	52,601
Payroll and MPF payables	99	451	959	1,162
Accrued expenses	99	190	—	97
Accrued share issue costs	—	—	261	1,967
Accrued listing expenses	—	—	966	6,278
Purchase of machinery payables	—	—	196	—
Others	—	26	19	2
	198	667	2,401	9,506
Total	15,496	30,593	54,846	62,107

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

21. TRADE AND OTHER PAYABLES *(Continued)*

The credit period on purchases from suppliers is 30 days or payable upon delivery.

The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		As at 31 March	
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	13,950	29,018	52,415	52,601
31 days to 60 days	1,319	908	30	—
61 days to 90 days	23	—	—	—
Over 90 days	6	—	—	—
	15,298	29,926	52,445	52,601

The Company

	As at 31 March
	2019
	HK$'000
Accrued share issue costs	1,967
Accrued listing expenses	6,278
	8,245

22. BANK OVERDRAFTS/BANK BORROWINGS

	As at 31 December		As at 31 March	
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts *(Note i and ii)*	5,896	—	15,575	1,358
Bank borrowings				
— secured and guaranteed *(Note ii)*	—	—	5,209	3,810
	5,896	—	20,784	5,168
The carrying amounts of bank overdrafts and bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:				
— within one year	5,896	—	20,784	5,168

* The amounts due are based on scheduled repayment dates set out in the loan agreement.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

22. BANK OVERDRAFTS/BANK BORROWINGS *(Continued)*

Notes:

(i) Bank overdrafts carry interests at market rates of Hong Kong Interbank Offered Rate ("**HIBOR**") plus 2.5% per annum, also the effective interest rate, and were repayable on demand as at 31 December 2016, 2017, 2018 and 31 March 2019.

(ii) At 31 December 2016 and 2017, the banking facilities of the Group were secured by the legal charge over (1) the investment property (Note 15) and leasehold land and buildings (Note 14) of the Group, (2) property of Mr. Adam Cheung, and (3) personal guarantee executed by Mr. Adam Cheung.

At 31 December 2018, the banking facilities of the Group were secured by the legal charge over (1) the leasehold land and buildings (Note 14) of the Group, (2) property of Mr. Adam Cheung, and (3) personal guarantee executed by Mr. Adam Cheung. The personal guarantee will be released and replaced by corporate guarantee given by the Company upon listing and secured by a bank deposit of HK$3,000,000.

At 31 March 2019, the banking facilities of the Group were secured by the legal charge over (1) the leasehold land and buildings (Note 14) of the Group, and (2) personal guarantee executed by Mr. Adam Cheung. The personal guarantee will be released and replaced by corporate guarantee given by the Company upon listing and secured by a bank deposit of HK$3,000,000.

The weighted average effective interest rates of the borrowings were 5.25% per annum as at 31 December 2018 and 31 March 2019. The amounts are repayable by installments till November 2019.

23. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
Deferred tax assets	—	—	224	209
Deferred tax liabilities	(277)	(282)	(350)	(371)
	(277)	(282)	(126)	(162)

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

23. DEFERRED TAX LIABILITIES *(Continued)*

The following are the deferred tax liabilities (assets) recognised and the movements thereon:

	Accelerated tax depreciation *HK$'000*	ECL provision *HK$'000*	Total *HK$'000*
At 1 January 2016	310	—	310
Credited to profit or loss for the year	(33)	—	(33)
At 31 December 2016	277	—	277
Charged to profit or loss for the year	5	—	5
At 31 December 2017	282	—	282
Adjustment *(Note 3)*	—	(170)	(170)
Charged (credited) to profit or loss for the year	68	(54)	14
At 31 December 2018	350	(224)	126
Charged to profit or loss for the period	21	15	36
At 31 March 2019	371	(209)	162

The deferred tax liabilities resulted from temporary taxable differences arising from accelerated depreciation in relation to capital allowance claims on qualified assets in accordance with prevailing tax laws in Hong Kong.

The Group has no other significant unrecognised deferred tax assets for deductible temporary differences at 31 December 2016, 2017, 2018 and 31 March 2019.

24. SHARE CAPITAL

The Group

Share capital

The issued share capital as at 1 January 2016, 31 December 2016, 2017 and 2018 represented the combined share capital of Pak Fai and Ma Yau.

Pak Fai was incorporated on 21 April 1989 with a paid up capital of HK$300,000 divided into 300,000 shares.

Ma Yau was incorporated on 24 March 1997 with a paid up capital of HK$300,000 divided into 300,000 shares.

On 30 January 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability, the authorised share capital of the Company was HK$100,000 divided into 10,000,000 shares of HK$0.01 each at the time of incorporation. One nil-paid share was issued to the initial subscriber and transferred to Wonderful Renown on the same day.

On 28 February 2019, the Company issued and allotted 9,999 shares to Wonderful Renown, the details of which is set out in Note 2(vii). The new shares rank *pari passu* with the existing shares in all respects.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

24. SHARE CAPITAL *(Continued)*

The Company

Share capital

Details of movement of the share capital of the Company are as follows:

	Number of shares	Amount
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At date of incorporation and 31 March 2019	10,000,000	100,000
Issued and fully paid:		
At date of incorporation	1	—*
Arising from the Reorganisation on 28 February 2019 *(Note 2 (vii))*	9,999	100
At 31 March 2019	10,000	100

Note: All shares issued rank *pari passu* therewith.

** The amount is less than HK$1.*

25. RETIREMENT BENEFIT PLAN

The Group participates in a MPF scheme established under the Mandatory Provident Fund Ordinance in December 2000 for its qualified employees in Hong Kong. For the Track Record Period, the Group contributes 5% of the eligible employees' salaries, with each employee's qualifying salary capped at HK$1,500 per month to the MPF scheme.

The total costs charged to profit or loss, amounting to HK$213,000, HK$233,000, HK$311,000, HK$49,000 (unaudited) and HK$147,000 for the years ended 31 December 2016, 2017, 2018 and the three months ended 31 March 2018 and 2019 respectively, representing contributions paid to the retirement benefits scheme by the Group.

Contributions of approximately HK$19,000, HK$37,000, HK$36,000 and HK$48,000 at 31 December 2016, 2017, 2018 and 31 March 2019, were accrued respectively. The amounts were paid subsequent to the end of the year/period.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

26. COMMITMENTS

Operating lease commitments

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of warehouse and office premises which fall due as follows:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	148	96	136
In the second to fifth year, inclusive	—	96	—	—
	—	244	96	136

The leases have tenures ranging from one to six years. The lease payments are fixed over the lease term and no contingent rent provisions are included in the contracts.

Upon application of modified retrospective approach under HKFRS 16 at transition, the Group elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of date of initial application. Also the Group applies the short-term lease recognition exemption to leases of warehouse and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Total lease payments of warehouse, office premises and machine for the three months ended 31 March 2019 is HK$501,000.

The Group as lessor

The details of rental income earned on investment property are disclosed per Note 7.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease receivables in respect of office premises:

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Within one year	162	135
In the second to fifth year, inclusive	135	—
	297	135

The leases have tenures ranging from one to five years. The lease receivables are fixed over the lease term and no contingent rent income are included in the contracts.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank overdrafts and bank borrowings, as disclosed in Note 22, respectively, net of bank balances and cash and equity attributable to owners of the Group, comprising share capital and reserves. The Group is not subject to any externally imposed capital requirement.

The directors of the Company review the capital structure on a regular basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of items in the context of capital structure, and takes approximate actions to adjust the Group's capital structure. Based on recommendations of the management, the Group will balance its overall capital structure through continuity of funding of cash flows from operating activities or raising new funds.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	As at 31 December		As at 31 March	
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including bank balance and cash)	15,591	39,865	N/A*	N/A*
Financial assets at amortised cost*	N/A*	N/A*	65,632	42,511
Financial liabilities at amortised cost**	21,293	30,403	74,403	58,933

The Company

	As at 31 March
	2019
	HK$'000
Financial liability at amortised cost**	8,159

* Prepaid listing expenses and deferred issue costs are excluded.

** Accrued expenses, accrued share issue costs and accrued listing expense are excluded.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policy

The Group's financial instruments include trade receivables, other receivables and deposits, amount due from a director, bank balances and cash, trade and other payables and bank overdrafts and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has assessed there is minimal exposure of the interest rate risk on the variable rate of interest incurred on the bank overdraft and bank borrowings. It is the Group's policy to raise borrowings at fixed-rate or variable-rate according to business needs and as to balance the fair value and cash flow interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis on the interest risk arising from the variable-rate bank overdrafts and bank borrowings is presented as the amounts involved are insignificant. The management considered the fluctuation on the prevailing market interest rate is minimal.

Credit risk

Under HKAS 39 and HKFRS 9

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong, which accounted for 100% of the total financial assets as at 31 December 2016, 2017, 2018 and 31 March 2019.

The Group has concentration of credit risk in trade receivables and contract assets, as approximately 100%, 91.3%, 95.5% and 100% of total trade receivables outstanding at 31 December 2016, 2017, 2018 and 31 March 2019 respectively and 71.8%, 64.4%, 85.1% and 92.7% of contract assets outstanding at 31 December 2016, 2017, 2018 and 31 March 2019 respectively were due from top five customers.

The Group also has concentration of credit risk on bank balances which are deposited with several banks with high credit ratings as set out in Note 20. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with high credit rating. Other than concentration of credit risk on the trade receivables, contract assets and bank balances, the Group has no other significant concentration risk on recognised financial assets with exposure spread over a number of counterparties.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policy *(Continued)*

Credit risk *(Continued)*

Under HKAS 39 and HKFRS 9 (Continued)

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group carries out research on the credit risk of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed when necessary.

Under HKAS 39

In order to minimise the credit risk on trade receivables, contract assets, other receivables and deposits and amount due from a director, management makes periodic individual assessment under incurred loss model on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company consider that there is no material credit risk inherent in the Group's outstanding balances of other receivables and deposits. In addition, the credit risk on amount due from a director is reduced as the Group can closely monitor the repayment of the related party.

Under HKFRS 9

Starting from 1 January 2018, the Group reassess the lifetime ECL for trade receivables and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for significant increases in the likelihood or risk of a default occurring since initial recognition. In this regard, directors of the Company considers that the Group's credit risk is significantly reduced.

From 1 January 2018, the Group applied ECL model upon adoption of HKFRS 9. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk since initial recognition on an ongoing basis.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policy *(Continued)*

Credit risk *(Continued)*

Under HKFRS 9 (Continued)

To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, it considers available reasonable the supportive forwarding looking information, including the below indicators:

— internal credit rating based on historical information
— actual or expected significant changes in the operating results of the debtors
— significant changes in the expected performance and behaviour of the debtors, including changes in the debtors' ability to meet its debt obligations

The Group applies individual assessment to measure the expected credit losses prescribed by HKFRS 9. The expected credit loss rates applied in the individual assessment are derived according to internal credit rating, by reference to the Group's historical credit loss experiences, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Relevant information with regard to the exposure of credit risk and expected credit losses for trade receivables and contract assets as at 31 December 2018 and 31 March 2019 are set out in Notes 16 and 19.

For other receivables and deposits, amount due from a director and bank balances, the Group has assessed and concluded that the expected credit loss rate for these financial assets is immaterial under 12-month ECL method based on the Group's assessment on the risk of the default of that counterparty. Thus, no loss allowance for credit losses for the amounts is recognised at the initial of application, i.e. 1 January 2018, during the year ended 31 December 2018 and the three months ended 31 March 2019.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policy *(Continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting its financial obligations as and when they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity of the Group and the Company for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the relevant market rates as at the reporting date) of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The table includes both interest and principal cash flows, where applicable.

The Group

As at 31 December 2016

	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing								
Trade and other payables	N/A	15,397	—	—	—	—	15,397	15,397
Interest bearing								
Bank overdrafts	5.25	5,896	—	—	—	—	5,896	5,896
Total		21,293	—	—	—	—	21,293	21,293

As at 31 December 2017

	Weighted average interest rate	On demand or within 3 months	Total 3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing								
Trade and other payables	N/A	30,403	—	—	—	—	30,403	30,403

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policy *(Continued)*

As at 31 December 2018

	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing								
Trade and other payables	N/A	53,619	—	—	—	—	53,619	53,619
Interest bearing								
Bank borrowings	2.97	5,209	—	—	—	—	5,209	5,209
Bank overdrafts	5.25	15,575	—	—	—	—	15,575	15,575
Total		74,403	—	—	—	—	74,403	74,403

As at 31 March 2019

	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing								
Trade and other payables	N/A	53,765	—	—	—	—	53,765	53,765
Interest bearing								
Bank borrowings	2.97	3,810	—	—	—	—	3,810	3,810
Bank overdrafts	5.25	1,358	—	—	—	—	1,358	1,358
Total		58,933	—	—	—	—	58,933	58,933

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

28. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policy *(Continued)*

The Company

As at 31 March 2019

	Weighted average interest rate	On demand or within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-interest bearing								
Amount due to a subsidiary	N/A	8,159	—	—	—	—	8,159	8,159
		8,159	—	—	—	—	8,159	8,159

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using the specified fixed rates or variable rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — Term loans subject to a repayment on demand clause based on scheduled repayments						
	0 to 90 days	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018	1,442	3,845	—	—	—	5,287	5,209
As at 31 March 2019	1,442	2,403	—	—	—	3,845	3,810

Fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair value.

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

29. RELATED PARTY TRANSACTIONS

Apart from disclosure elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties during the Track Record Period:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Rental expense for renting office premise from a Shareholder					
Mr. Adam Cheung	—	—	—	—	35

The directors of the Company are also key management of the Group who's remuneration are disclosed in Note 11. Other than that, the remuneration of close family member of a directors of the Company and other members of key management of the Group during the year/period was as follows:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Short term benefits	—	—	204	—	304
Post-employment benefits	—	—	8	—	9
	—	—	212	—	313

30. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct or indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Issued and fully paid capital	Equity interest attributable to the owners of the Group: 2016	As at 31 December 2017	2018	As at 31 March 2019	As at the date of this report	Principal activities	*Notes*
Directly held:									
Autumn Well	BVI 26 October 2018	US$1	N/A	N/A	100%	100%	100%	Investment holding	*(a)*
Indirectly held:									
Pak Fai	Hong Kong 21 April 1989	HK$300,000	100%	100%	100%	100%	100%	Provision of wet trades works	*(b)*
Ma Yau	Hong Kong 24 March 1997	HK$300,000	100%	100%	100%	100%	100%	Provision of wet trades works	*(c)*
Creative Panda	BVI 26 October 2018	US$1	N/A	N/A	100%	100%	100%	Investment holding	*(a)*
Vantage Charm	BVI 26 October 2018	US$1	N/A	N/A	100%	100%	100%	Investment holding	*(a)*

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

All subsidiaries now comprising the Group adopted 31 December as their financial year end date except for Ma Yau which has 31 March as its financial year end date.

Notes:

(a) No audited financial statements of Autumn Well, Creative Panda and Vantage Charm have been prepared since their respective date of incorporation as they were incorporated in the jurisdiction where there is no statutory audit requirement.

(b) The statutory financial statements of Pak Fai for the year ended 31 December 2016 were prepared in accordance with HKFRSs issued by Global Vision CPA Limited and were audited by Deloitte Touche Tohmatsu for the years ended 31 December 2017 and 2018, respectively, both are Certified Public Accountants registered in Hong Kong.

(c) The statutory financial statements of Ma Yau for the year ended 31 March 2016, 2017 and 2018 were prepared in accordance with HKFRSs issued by Global Vision CPA Limited. The statutory financial statements of Ma Yau for the year ended 31 March 2019 is not yet due for submission.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank borrowings *HK$'000*	Bank overdrafts *HK$'000*	Amount due to a director *HK$'000*	Accrued issue cost *HK$'000*	Total *HK$'000*
At 1 January 2016	—	—	7,868	—	7,868
Financing cash flows	—	5,896	(7,868)	—	(1,972)
At 31 December 2016	—	5,896	—	—	5,896
Financing cash flows	—	(5,896)	—	—	(5,896)
At 31 December 2017	—	—	—	—	—
Financing cash flows	5,209	15,575	—	(315)	20,469
Non-cash changes					
Issue costs recognised	—	—	—	576	576
At 31 December 2018	5,209	15,575	—	261	21,045
Financing cash flows	(1,399)	(14,217)	—	(2,274)	(17,890)
Non-cash changes					
Issue costs recognised	—	—	—	3,980	3,980
At 31 March 2019	3,810	1,358	—	1,967	7,135
At 1 January 2018	—	—	—	—	—
Financing cash flows	—	—	—	—	—
At 31 March 2018 (unaudited)	—	—	—	—	—

NOTES TO HISTORICAL FINANCIAL INFORMATION *(Continued)*

32. PERFORMANCE BONDS

As at 31 December 2018 and 31 March 2019, performance bonds of HK$3,603,000 and HK$3,603,000 respectively were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. In the event of the non-performance, the Group will only become liable to compensate such customers for any performance obligation over and above the performance bond amounts given to them, the performance guarantees will be released upon completion of the contracts.

33. MAJOR NON CASH TRANSACTION

During the year ended 31 December 2017, the Group purchased a tax reserve certificate amounting to HK$1,500,000 which was subsequently applied to pay for the income tax payable in the year ended 31 December 2018.

34. SUBSEQUENT EVENTS

Save as elsewhere disclosed in this report, events and transactions took place subsequent to 31 March 2019 are detailed as below:

On 22 July 2019, written resolutions of the shareholder of the Company were passed to approve the matters set out in the section headed "Statutory and General Information — Further information about our Company and its subsidiaries — 3. Resolutions in writing of the then sole shareholder passed on 22 July 2019" in Appendix IV to the prospectus. It was resolved, among other matters:

(i) the authorised share capital was increased from HK$100,000 to HK$40,000,000 by the creation of an additional 3,990,000,000 shares of par value HK$0.01;

(ii) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the share offer, the directors of the Company were authorised to capitalise HK$19,499,900 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,949,990,000 shares for allotment and issue to shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on 22 July 2019 in proportion to their respective shareholdings in the Company ("Capitalisation Issue"). All the shares allotted and issued shall rank *pari passu* in all respects with the then existing issued shares; and

(iii) conditionally approved and adopted the share option scheme, the principal terms of which are set out in the paragraph headed "Other information — 1. Share Option Scheme" in Appendix IV to the prospectus, and the directors of the Company were authorised to grant options to subscribe for the share thereunder and to allot, issue and deal with the shares pursuant to the exercise of options granted under the share option scheme.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 March 2019.

*The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 December 2018 and the three months ended 31 March 2019 (the "**Track Record Period**") (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this Prospectus, and is included herein for information only.*

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out in this appendix to illustrate the effect of the proposed public offer and placing of the shares of the Company ("**Share Offer**") on the audited consolidated net tangible assets of the Group as at 31 March 2019, as if the Share Offer had taken place on such date.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2019 or any future dates following the Share Offer.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group as at 31 March 2019 as set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group as at 31 March 2019	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2019**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2019 per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on Offer Price of HK$0.20 per Offer Share	79,222	101,948	181,170	0.07

Notes:

(1) The audited consolidated net tangible assets of the Group is derived from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on 650,000,000 New Shares at the Offer Price of HK$0.20 per Offer Share, after deduction of the associated underwriting commissions and fees and other related expenses, other than those expenses which had been recognised in profit or loss on or prior to 31 March 2019.

The calculation of such estimated net proceeds does not take into account of any Shares which may be granted under the Share Option Scheme or any Shares which may be allotted and issued pursuant to the general mandates as mentioned in "General mandate to issue Shares" in this prospectus.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2019 per Share is calculated based on 2,600,000,000 Shares, being Shares in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 March 2019. It does not take into account of any Shares which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued pursuant to the general mandate as mentioned in "General mandate to issue Shares" in this prospectus.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 March 2019 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants 'assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Hands Form Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hands Form Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") prepared 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 31 March 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 6 August 2019 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the "**Share Offer**") on the Group's financial position as at 31 March 2019 as if the Share Offer had taken place at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2018 and the three months ended 31 March 2019, 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 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 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

6 August 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2019 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 July 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company’s affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall at each annual general meeting appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The Board may fill any casual vacancy in the office of auditors, but while any such vacancy continues the surviving or continuing auditors (if any) may act. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder’s or joint holders’ risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 30 January 2019 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 12 February 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic Substance Requirements

Pursuant to the International Tax Co-operation (Economic Substance) Law, 2018 of the Cayman Islands (as amended) ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes a company incorporated under the Cayman Companies Law as is the Company; however, it does not include a company which is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, the Company is not regarded as a "relevant entity" under the ES Law and thus is not required to satisfy the economic substance test as set out in the ES Law.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 30 January 2019. Our Company has established a principal place of business in Hong Kong at Room 9, 2/F, Hang Bong Commercial Centre, 28 Shanghai Street, Jordan, Kowloon, Hong Kong and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 8 March 2019. In connection with such registration, Mr. Adam Cheung and Mr. Tsui Chun Hung have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises of the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company had an initial authorised share capital of HK$100,000.00 divided into 10,000,000 ordinary shares with par value of HK$0.01 each. On 30 January 2019, one nil-paid subscriber Share was allotted and issued to the initial subscriber of our Company, which was subsequently transferred to Wonderful Renown on the same date.

(b) On 28 February 2019, Wonderful Renown as vendor, and our Company as purchaser, entered into a sale and purchase agreement, pursuant to which our Company acquired 1 ordinary share of Autumn Well (representing its only issued share) from Wonderful Renown. The consideration for acquisition was satisfied by (i) our Company crediting as fully paid at par the 1 nil-paid Share held by Wonderful Renown, and (ii) our Company issuing and allotting 9,999 new Shares, credited as fully paid, to Wonderful Renown.

(c) Pursuant to the written resolutions of our then sole Shareholder passed on 22 July 2019, the authorised share capital of our Company was increased from HK$100,000.00 divided into 10,000,000 ordinary shares of par value HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK$0.01 each, by the creation of an additional 3,990,000,000 Shares.

(d) Immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$40,000,000 divided into 4,000,000,000 Shares and the issued share capital of our Company will be HK$26,000,000 divided into 2,600,000,000 Shares fully paid or credited as fully paid, and 1,400,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraph headed "3. Resolutions in writing of the then sole Shareholder passed on 22 July 2019" in this appendix and the allotment and issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in its general meeting, no issue of shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Resolutions in writing of the then sole Shareholder passed on 22 July 2019

Pursuant to the resolutions in writing of the then sole Shareholder passed on 22 July 2019, among other matters:

(a) our Company approved and adopted the Memorandum and the Articles;

(b) our Company increased its authorised share capital from HK$100,000.00 divided into 10,000,000 ordinary shares of par value of HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK$0.01 each by the creation of 3,990,000,000 additional ordinary shares of par value HK$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;

(c) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus;

(i) the Share Offer was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Share Offer;

(ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise HK$19,499,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,949,990,000 Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on 22 July 2019 (or as each of them may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;

(iii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue) Shares or securities convertible into Shares with a total number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors in paragraph (iv) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iii), whichever occurs first;

(iv) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of the Shares with a total number of not exceeding 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this paragraph (iv), whichever occurs first; and

(v) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Other information — 1. Share Option Scheme" below, were approved and adopted, and our Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. Please see the section headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus for further details.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiary. Save as disclosed in the section headed "History, Reorganisation and corporate structure" in this prospectus, there has been no changes to the share capital made by our subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchase of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note: Pursuant to the resolutions in writing of the then sole Shareholder passed on 22 July 2019, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to our Directors.*

(ii) Source of funds

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the Companies Law, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement, otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Connected parties

Our Company is prohibited from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(iv) Trading restrictions

Our Company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange up to a maximum of 10% of the total number shares of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. Our Company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from making securities repurchase on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. Our Company shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(v) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the certificates of the relevant securities must be cancelled and destroyed. Under Cayman Islands law, shares repurchased by a Cayman Islands company may be treated as cancelled and, if so cancelled, the amount of the company's issued share capital shall be diminished by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be taken as reduced.

(vi) Suspension of repurchase

Our Company shall not purchase its shares on the Stock Exchange at any time after insider information has come to our knowledge until such time as the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if our Company has breached the Listing Rules.

(vii) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make arrangements with its broker who effects the purchase to provide our Company in a timely manner the necessary information in relation to the purchase made on behalf of the company to enable our Company to report to the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 2,600,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue and taking no account of any Share to be issued upon exercise of any options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to 260,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

No core connected person (as defined in the Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a sale and purchase agreement dated 22 February 2019 entered into between Mr. Adam Cheung and Ms. LC Cheung as vendors, and Creative Panda as purchaser, pursuant to which Creative Panda acquired 254,999 shares and 45,001 shares of Pak Fai from Mr. Adam Cheung and Ms. LC Cheung respectively, and in consideration, Creative Panda issued and allotted one ordinary share, credited as fully-paid, to Autumn Well, under the instructions of Mr. Adam Cheung and Ms. LC Cheung;

(b) an instrument of transfer and bought and sold notes dated 22 February 2019 entered into between Mr. Adam Cheung and Creative Panda for the transfer of 254,999 shares of Pak Fai as referred to in item (a) above;

(c) an instrument of transfer and bought and sold notes dated 22 February 2019 entered into between Ms. LC Cheung and Creative Panda for the transfer of 45,001 shares of Pak Fai as referred to in item (a) above;

(d) a sale and purchase agreement dated 22 February 2019 entered into between Mr. Adam Cheung and Ms. LC Cheung as vendors, and Vantage Charm as purchaser, pursuant to which Vantage Charm acquired 180,000 shares and 120,000 shares of Ma Yau from Mr. Adam Cheung and Ms. LC Cheung respectively, and in consideration, Vantage Charm issued and allotted one ordinary share, credited as fully-paid, to Autumn Well, under the instructions of Mr. Adam Cheung and Ms. LC Cheung;

(e) an instrument of transfer and bought and sold notes dated 22 February 2019 entered into between Mr. Adam Cheung and Vantage Charm for the transfer of 180,000 shares of Ma Yau as referred to in item (d) above;

(f) an instrument of transfer and bought and sold notes dated 22 February 2019 entered into between Ms. LC Cheung and Vantage Charm for the transfer of 120,000 shares of Ma Yau as referred to in item (d) above;

(g) a sale and purchase agreement dated 28 February 2019 entered into between Wonderful Renown as vendor, and our Company as purchaser, pursuant to which our Company acquired one share of Autumn Well from Wonderful Renown, and in consideration, our Company credited as fully paid at par the one nil-paid Share held by Wonderful Renown, and issued and allotted 9,999 Shares, credited as fully paid, to Wonderful Renown;

(h) an instrument of transfer dated 28 February 2019 entered into between Wonderful Renown and our Company for the transfer of one share of Autumn Well as referred to in item (g) above;

(i) the Deed of Indemnity; and

(j) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

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

(b) Domain name

As at the Latest Practicable Date, our Group was the registered owner of the following domain name, which is material to our Group's business:

Domain name	**Registrant**	**Expiry date**
www.handsform.com	Pak Fai	7 March 2020

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Directors

(a) Particulars of Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company. The principal particulars of these service contracts are (a) each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles. Each of our executive Directors is entitled to a fixed basic annual salary as remuneration and director's fee for his services. Our Board shall have a complete discretion whether to grant any increase in the salary and any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is also entitled to a discretionary management bonus as may be determined by our Board at its sole discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him/her.

Each of our independent non-executive Directors has signed an appointment letter with our Company. The principal particulars of these appointment letters are (a) each of them agreed to act for an initial term of one year commencing from the Listing Date with a director's fee, which may be terminated by not less than one month' written notice served by either party on the other, and (b) is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

Save as aforesaid, none of our Directors has or is proposed to have a service contract or an appointment letter with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(b) Remuneration of Directors

(i) The annual salaries of our executive Directors and the annual director's fees of our independent non-executive Directors are as follows:

Name	Annual amount *(HK$)*
Executive Directors	
Mr. Cheung Kwok Fai Adam (張國輝)	720,000
Mr. Ng Sheung Chung (伍尚聰)	504,000
Mr. Ma Kan Sun (馬庚申)	330,000
Independent non-executive Directors	
Mr. Pak Shek Kuen (白錫權)	144,000
Mr. Lo Chi Hung (盧志雄)	144,000
Mr. Ho Kwok Lung (何國龍)	120,000

(ii) The executive Directors may be granted a discretionary management bonus for FY2019 and onwards at the sole discretion of our Board.

(iii) For FY2016, FY2017, FY2018 and the three months ended 31 March 2019, the aggregate of the remuneration (including salaries, bonus and allowance, if any) paid by our Group to our Directors was approximately HK$1.5 million, HK$1.4 million, HK$1.5 million and HK$0.8 million, respectively.

(iv) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (excluding discretionary bonus) payable by our Company and other members of our Group to, and benefits in kind receivable by our Directors (including our independent non-executive Directors) for FY2019, are expected to be approximately HK$1.7 million.

(v) No amount was paid to, or receivable by, our Directors, for each of the three financial years of our Company immediately preceding the issue of this prospectus as an inducement to join or upon joining our Company.

(vi) No compensation was paid to, or receivable by, our Directors (including past Directors) for each of the three financial years of our Company immediately preceding the issue of this prospectus 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.

(vii) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years of our Company immediately preceding the issue of this prospectus.

(c) Interests and short positions of Directors in the Shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested immediately after completion of the Share Offer and the Capitalisation Issue	Percentage of shareholding immediately after completion of the Share Offer and the Capitalisation Issue
Mr. Adam Cheung *(Note)*	Interest in a controlled corporation	1,950,000,000	75%

Note: Wonderful Renown is beneficially owned as to 84% by Mr. Adam Cheung and 16% by Ms. LC Cheung. By virtue of the SFO, Mr. Adam Cheung is deemed to be interested in all the Shares held by Wonderful Renown. Mr. Adam Cheung is the brother of Ms. LC Cheung.

(ii) Long position in the ordinary shares of associated corporation

Name	Name of associated corporation	Capacity/ Nature of interest	Number of share(s) held/ interested	Percentage of interest
Mr. Adam Cheung *(Note)*	Wonderful Renown	Beneficial owner	84	84%

Note: Wonderful Renown is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

2. Substantial Shareholders

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who 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:

Name	Capacity	Number of Shares held/interested immediately after completion of the Share Offer and the Capitalisation Issue (long position)	Percentage of shareholding immediately after completion of the Share Offer and the Capitalisation
Wonderful Renown	Beneficial Owner *(Note 1)*	1,950,000,000	75%
Ms. LC Cheung	Interests held jointly with other persons *(Note 2)*	1,950,000,000	75%
Ms. Chan Shui King	Interest of a spouse *(Note 3)*	1,950,000,000	75%

Note:

1. *Wonderful Renown is a direct Shareholder of our Company. Wonderful Renown is owned as to 84% by Mr. Adam Cheung and 16% by Ms. LC Cheung. By virtue of the SFO, Mr. Adam Cheung is deemed to be interested in all the Shares held by Wonderful Renown. Mr. Adam Cheung is the brother of Ms. LC Cheung.*

2. *Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown will together control 75% of the entire issued share capital of our Company. By virtue of the SFO, Ms. LC Cheung is deemed to be interested in the Shares held by Wonderful Renown.*

3. *Ms. Chan Shui King is the spouse of Mr. Adam Cheung. Accordingly, Ms. Chan Shui King is deemed or taken to be interested in the Shares Mr. Adam Cheung is interested in under the SFO.*

3. Disclaimers

Save as disclosed in this prospectus:

(a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other members of our Group;

(b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(c) none of the Directors or the experts named in the sub-paragraph headed "9. Qualifications and consents of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the three years immediately preceding the issue of this prospectus, acquired or disposed of by or leased 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 the Directors or the experts named in the sub-paragraph headed "9. Qualifications and consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(e) none of the Directors or the experts named in the sub-paragraph headed "9. Qualifications and consents 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 close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

(g) none of our Directors has any existing or proposed service contracts with member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the written resolutions of our then sole Shareholder on 22 July 2019.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

"Adoption Date"	means 22 July 2019, the date on which the Share Option Scheme is conditionally adopted by our Company by the written resolutions of the sole Shareholder;
"Board"	means our Board from time to time or a duly authorised committee thereof;
"Eligible Employee"	means any employee (whether full time or part time employee, including any executive Directors) of our Company, any of its subsidiaries and any Invested Entity;
"Grantee"	means any Participant who accepts the offer of the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal representative of such person;
"Group"	means our Company and its subsidiaries from time to time and "member(s) of our Group" shall be construed accordingly;

"Invested Entity" means any entity in which our Group holds any equity interest;

"Option" means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;

"Option Period" means in respect of any particular Option, such period as our Board may in its absolute discretion determine, save that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and that our Board may at its discretion determine the minimum period for which the Option has to be held before the exercise of the Option;

"Participant" means any person belonging to any of the following classes of participants:

(a) any Eligible Employee;

(b) any non-executive director (including independent non-executive directors) of our Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of our Group or any Invested Entity;

(d) any customer of our Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity;

(f) 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;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group, and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust; and

"Scheme Period" means a period commencing on the Adoption Date and ending on the tenth anniversary of the Adoption Date (both dates inclusive).

(a) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Grant of Option and acceptance of offer

Subject to Share Option Scheme and the Listing Rules, our Board shall be entitled at any time and from time to time within the Scheme Period to offer to grant to any Participant as our Board may in its absolute discretion select, and subject to such conditions as our Board may think fit, Option(s) to subscribe for such number of Shares as our Board may determine at a price calculated in accordance with sub-paragraph (d) below.

Upon acceptance of an offer for grant of Option(s), the Grantee shall pay HK$1.00 to our Company by way of consideration for the grant. The Option(s) will be offered for acceptance for a period of 21 days from the date of the offer.

(c) Restriction on grant of Option

No offer of grant of Options shall be made where inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the Listing Rules and/or Part XIVA of the SFO. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of the results of our Company for any year, half-year or quarter-year period (if applicable) or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of the results for any year, half year or quarter-year (if applicable) or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no Option(s) may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any Option(s) to a Participant who is a Director during the periods or times in which such Director is prohibited from dealing in the Shares prescribed by Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

No Participant shall be granted Option(s) which if exercised in full would result in the total number of Shares already issued under all the Options granted to him which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceeding 1% of the total number of Shares in issue, provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting, our Company may make further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the total number of Shares already issued under all the Options granted to such Participant which have been exercised and issuable under all the Options granted to him which are for the time being subsisting and unexercised in any 12-month period exceed 1% of the total number of Shares in issue. In such circumstances, we must send a circular to the Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted and Options previously granted to such Participant and all the information required under the Listing Rules. The number and terms (including the subscription price) of the Option(s) to be granted to such Participant must be fixed before the Shareholders' approval and the date of the meeting of our Board for proposing such Further Grant of Option should be taken as the date of grant for the purpose of calculating the relevant subscription price.

Unless our Board otherwise determined and stated in the offer of the grant of Option(s) to a Participant, a Grantee is not required to achieve any performance target before any Option(s) granted under the Share Option Scheme can be exercised.

(d) Price of Shares

The subscription price for the Shares subject to any particular Option(s) shall be such price as determined by our Board in its absolute discretion at the time of the grant of the relevant Option(s) but in any case the relevant subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the Option(s), which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of the grant of the Option(s); and (iii) the nominal value of a Share.

For the purpose of determining the relevant subscription price where the Shares have been listed on the Stock Exchange for less than five Business Days preceding the date of the grant of the Option(s), the issue price of the Shares shall be deemed to be the closing price of the Shares on the Listing Date for any Business Day falling within the period before the Shares are listed on the Stock Exchange.

(e) Maximum amount of Shares

(i) The total number of Shares which may be issued upon exercise of all Options (excluding for this purpose Option(s) which have lapsed in accordance with the terms of the Share Option Scheme and any other schemes) to be granted under the Share Option Scheme and other schemes must not, in aggregate, exceed 10% of the Shares in issue on the Listing Date. On the basis of 2,600,000,000 Shares in issue on the Listing Date, the limit will be equivalent to 260,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Our Company may refresh the 10% limit by seeking prior approval from Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all Options and any other share option schemes of our Company, in aggregate under the limit as "refreshed", must not exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the refreshed limit. Option(s) previously granted under the Share Option Scheme or any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option scheme) will not be counted for the purpose of calculating the refreshed limit.

(iii) Our Company may also grant Option(s) beyond the 10% limit by seeking Shareholders' approval in a general meeting, provided that the Grantee(s) of such Option(s) must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such Option(s), the number and terms of such Option(s) to be granted, the purpose of granting such Option(s), an explanation as to how the terms of the Option(s) serve such purpose and the information required by the Listing Rules.

(iv) Notwithstanding the foregoing, our Company must not grant any options if the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company, would exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other scheme of our Company if such grant will result in this 30% limit being exceeded.

(v) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the 10% limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by our Board absolutely, provided that such period shall not be more than ten years from the date upon which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme. Our Board may, at its discretion, determine the minimum period for which the Option has to be held before the Option can be exercised.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of option(s).

(g) Rights are personal to grantee

Option(s) granted shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option(s). Any breach of the foregoing by the Grantee shall entitle us to cancel any outstanding Option(s) or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Grantee dies before exercising the Option(s) in full, his legal personal representative(s) may exercise the Option(s) in whole or in part (to the extent that it has become exercisable and not already exercised prior to such date of death) within a period of 12 months from the date of death (or such longer period as the Board may determine).

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company whilst any Option(s) remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation or subdivision of Shares or reduction of the capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Option(s) so far as unexercised; and/or

(ii) the subscription price; and/or

(iii) the method of exercise of the Option(s); and/or

(iv) the maximum number of Shares referred in sub-paragraph (e) above and the Further Grant referred in sub-paragraph (c) above.

Our Company's independent financial adviser or auditors shall certify in writing to our Board as to whether the corresponding alterations are in their opinion fair and reasonable. Any alteration shall be made on the basis that the proportion of the issued share capital of our Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled to before such alteration and that the aggregate subscription price payable by a Grantee on the full exercise of any Option(s) shall remain as close as possible (but shall not be greater than) as it was before such event. No such alteration shall be made the effect of which would be to enable any Share to be issued at less that is nominal value and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction.

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrations and their certification, in the absence of manifest error, shall be final and binding on our Company and the Participants. The cost of our independent financial advisers and the auditors shall be borne by us.

(j) Rights on take-over

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we 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 Option(s) granted to them, Shareholders. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the Option(s) (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to us in exercise of the Option(s) at any time with 14 days after the date on which such offer becomes or is declared unconditional.

(k) Rights on a compromise or arrangement

(i) In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (h) above, and his legal personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to us, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon we shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(ii) In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any Grantee (or where permitted under sub-paragraph (h) above his legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his Option(s) (to the extent which has become exercisable and not already exercised), but the exercise of the Option(s) shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. We may thereafter require such Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his Option(s) so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Rights of Grantee ceasing to be a Participant

In the event of the Grantee ceases to be a Participant for any reason other than his death or termination of his employment on one or more of the grounds specified in the sub- paragraph (m)(v) below, then, if the Option Period has not at the date of such cessation commenced, the Option(s) shall lapse and if the Option Period has commenced, the Grantee may exercise the Option(s) in accordance with the Share Option Scheme, up to his entitlement at the date of cessation in whole or in part (to the extent which has become exercisable and not already exercised) which date shall be the last actual working day with our Company or the relevant subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not, or such longer period following the date of cessation as our Board may determine.

(m) Lapse of Option

An Option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period (subject to the provisions of the Share Option Scheme);

(ii) the expiry of any periods referred to in paragraphs (h) and (l);

(iii) the date on which the offer (or the case may be, revised offer) referred to in subparagraph (j) above closes;

(iv) subject to sub-paragraph (k)(i) above, the date of the commencement of the winding-up of our Company;

(v) the date on which the Grantee ceases to be Eligible Employee by reason of the termination of his employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by our Board) on any other ground on which an employer would be entitled to terminate his employment summarily at common law or pursuant to any applicable laws or under such Grantee's service contract with our Company or the relevant subsidiary or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee;

(vi) subject to sub-paragraph (k)(ii) above, the date when the proposed compromise or arrangement becomes effective;

(vii) the date on which the Grantee commits a breach of sub-paragraph (g) above; or

(viii) if our Directors at their absolute discretion determine that the Grantee (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 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, our Directors shall determine that the outstanding Option(s) granted to the Grantee (whether exercisable or not) shall lapse. In such event, his Option(s) will lapse automatically and will not in any event be exercisable on or after the date on which our Directors have so determined.

(n) Ranking of Shares

Shares allotted and issued upon exercise of an Option will be subject to all provisions of our Company's articles of associations amended from time to time and will carry the same rights in all respects with the existing fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of our Company and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of our Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of our Company is closed then the exercise of the Option shall become effective on the first Business Day in Hong Kong on which the register of members of our Company is re-opened. A Share allotted upon exercise of an Option shall not carry any voting right until the completion of the registration of the Grantee as the holder thereof.

(o) Cancellation of Options granted

Any cancellation of Option(s) granted in accordance with the Share Option Scheme but not exercised must be subject to the prior written consent of the relevant Grantee and approval of our Directors.

Where our Company elects to cancel Option(s) and issue new ones to the same Grantee, the issue of such new Option(s) may only be made under a scheme with available unissued Option(s) (excluding cancelled Option(s)) within the limit approved by the Shareholders.

(p) The Scheme Period

Subject to the termination of the Share Option Scheme, the Share Option Scheme will be valid and effective for the Scheme Period, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the Scheme Period and remain unexercised immediately prior to the end of the Scheme Period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the Share Option Scheme.

(q) Alteration and termination of Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants except (i) with the approval of our Shareholders in general meeting; or (ii) where such alterations take effect automatically under the existing terms of the Share Option Scheme.

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 Option(s) granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board in relation to any alteration to the term of the Share Option Scheme shall be approved by the Shareholders in general meeting except where the alteration takes effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the option(s) must still comply with the relevant requirements of Chapter 17 of the Listing Rules and no such alteration shall operate to affect adversely the terms of issue of any Option(s) granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Option(s) in respect of not less than three-fourths in nominal value of all Shares then subject to Option(s) granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all Grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

Our Company, by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option(s) will be offered. On termination, the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Option(s) (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. Option(s) (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.

(r) Granting of option to a Director, chief executive of our Company or substantial Shareholder or any of their associates

Where Option(s) are proposed to be granted to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 17.04(1) of the Listing Rules and be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Option(s)).

If a grant of Option(s) to a substantial Shareholder or an independent non-executive Director or their respective associates will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including 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 relevant class of 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$5.0 million,

then such further grant of Option(s) must be approved by the Shareholders in a general meeting. At such general meeting, the Grantee, his associates and all core connected persons of our Company must abstain from voting, unless they intend to vote against such further grant and provided that such intention to do so has been stated in the circular that our Company will send out. Our Company must send to our Shareholders containing all the information required under Rule 17.04(3) of the Listing Rules.

In addition, any change in the terms of the Option(s) granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in a general meeting.

The requirements for the grant of an Option to a Director or chief executive of our Company set out in Rules 17.04(1), (2) and (3) of the Listing Rules shall not apply where the proposed grantee is only a proposed Director or chief executive of our Company.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares which fall to be issued upon exercise of the Option(s) granted under the Share Option Scheme; and (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of Options under Share Option Scheme and listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under the Share Option Scheme.

2. Tax and other indemnities

Mr. Adam Cheung, Ms. LC Cheung and Wonderful Renown (collectively the "**Indemnifiers**") have pursuant to the Deed of Indemnity, on a joint and several basis, given indemnities to our Company for ourselves and as trustee for other members of our Group in connection with, among other things:

(a) any liability for Hong Kong estate duty which might be incurred by any of the members of our Group by reason of the death of any person and by reason of any transfer of any property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any of the members of our Group at any time on or before the Listing Date;

(b) taxation falling on any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any of the members of our Group may properly incur in connection with:

(i) the investigation, assessment or contesting of any claim under (b) above;

(ii) the settlement of any claim under the Deed of Indemnity;

(iii) any legal or arbitration proceedings in which any of the members of our Group claims under or in respect of the Deed of Indemnity and in which judgment, award or decision is given in favour of any of the members of our Group; or

(iv) the enforcement of any such settlement or decision or judgment or award;

(d) any and all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any of the members of our Group, directly or indirectly, as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the members of our Group at any time on or before the Listing Date, including but not limited to our Group's non-compliance matters occurred during the Track Record Period.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liability or claim mentioned in the four paragraphs immediately above where:

(a) to the extent that provision has been made for such taxation, liability or claim in the audited accounts of any of the members of our Group up to 31 March 2019;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 April 2019, unless such taxation or liability would not have arisen but for any act, transaction, omission of, or transaction voluntarily entered into by any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets before the Listing Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus;

(c) to the extent that such taxation, liability or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by any relevant authority (whether in Hong Kong or any part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect;

(d) to the extent that such taxation or liability is discharged prior to the Listing Date by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation or liability; or

(e) to the extent that any provision or reserve made for taxation in the audited accounts of any of the members of our Group up to 31 March 2019 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Litigation

Save as disclosed in the section headed "Business — Litigation and potential claims" in this prospectus, neither our Company nor any of its subsidiaries are engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

4. Agency fees or commissions received

Except as disclosed in the section headed "Underwriting — Underwriting arrangements and expenses — Commissions and expenses" in this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the three years immediately preceding the date of this prospectus.

5. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date. The Sole Sponsor is entitled to sponsor's fee in the amount of approximately HK$5.4 million.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

6. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Grande Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year ending 31 December 2020.

7. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately USD4,910 and are payable by our Company.

8. Promoters

Our Company has no promoter. Within the three years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

9. Qualifications and consents of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Grande Capital Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Cayman Islands legal adviser to our Company
Frost & Sullivan Limited	Industry consultant
Chan Chung	Barrister-at-law in Hong Kong
Valtech Valuation Advisory Limited	Property valuer

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

10. 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK$7.5 million shall be a nominal amount of HK$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended 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 or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

13. Miscellaneous

(a) Save as disclosed herein:

(i) within the three years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its 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 cash;

(bb) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(cc) our Company has no outstanding convertible debt securities; and

(dd) no founder, management or deferred shares or any debentures (including convertible bonds) of our Company have been issued or agreed to be issued;

(ii) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(iii) there has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(iv) none of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or submission to deal being or proposed to be sought;

(v) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;

(vi) there are no arrangements under which future dividends are waived or agreed to be waived; and

(vii) all necessary arrangements have been made to enable the Shares to be admitted into CCASS;

(b) Subject to the provisions of the Companies Law, the principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Board otherwise agree, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

i. copies of **WHITE**, **YELLOW** and **GREEN** Application Forms;

ii. the written consent referred to in the section headed "Statutory and general information — Other information — 9. Qualifications and consents of experts" in Appendix IV to this prospectus; and

iii. a copy of each of the material contracts referred to in the section headed "Statutory and general information — Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow Solicitors and Notaries, Suites 1801-3, 18/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the Accountants' Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of the companies now comprising our Group for FY2016, FY2017, FY2018 and for the three months ended 31 March 2019;

(d) the report on unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;

(e) the industry report prepared by Frost & Sullivan Limited referred to in the section headed "Industry overview" in this prospectus;

(f) the legal opinion dated the date of this prospectus issued by Mr. Chan Chung in respect of certain aspects of Hong Kong laws relating to the operation of our Group;

(g) the report dated the date of this prospectus prepared by Valtech Valuation Advisory Limited in respect of the tenancy agreement and the fair value of our Group's investment property referred to in the section headed "Connected transactions — Fully exempt continuing connected transactions" in this prospectus;

(h) the letter prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(i) the Companies Law;

(j) the service contracts and appointment letters referred to in the section headed "Statutory and general information — Further information about our Directors, Substantial Shareholders and experts — 1. Directors — (a) Particulars of Directors' service contracts" in Appendix IV to this prospectus;

(k) the rules of the Share Option Scheme referred to in the section headed "Statutory and general information — Other information — 1. Share Option Scheme" in Appendix IV to this prospectus;

(l) the material contracts referred to in the section headed "Statutory and general information — Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus; and

(m) the written consents referred to in the section headed "Statutory and general information — Other information — 9. Qualifications and consents of experts" in Appendix IV to this prospectus.

恆新豐控股有限公司
HANDS FORM HOLDINGS LIMITED