

# 建鵬控股有限公司

## Kin Pang Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1722

# SHARE OFFER

Sponsor



紅日資本有限公司  
RED SUN CAPITAL LIMITED

Bookrunner and Lead Manager



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## IMPORTANT

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

# Kin Pang Holdings Limited 建鵬控股有限公司

(incorporated in the Cayman Islands with limited liability)

## SHARE OFFER

Number of Offer Shares	:	250,000,000 Shares comprising 200,000,000 New Shares and 50,000,000 Sale Shares
Number of Public Offer Shares	:	25,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	225,000,000 Shares comprising 175,000,000 New Shares and 50,000,000 Sale Shares (subject to reallocation)
Offer Price	:	Not more than HK\$0.6 per Offer Share and expected to be not less than HK\$0.4 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1722

### Sponsor



### Bookrunner and Lead Manager



### Underwriters



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 section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

**The Offer Price is expected to be determined by agreement between our Company (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.6 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced.**

The Bookrunner (for itself and on behalf of the Underwriters) may, with our Company's consent, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.kinpang.com.mo](http://www.kinpang.com.mo) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares" of this prospectus.

If, for any reason, the Offer Price is not agreed between the Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on or before Wednesday, 6 December 2017 or such later date as may be agreed by our Company (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse immediately.

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

The obligations of the Underwriter under the Underwriting Agreements are subject to termination by the Bookrunner (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for Termination" of this prospectus.

30 November 2017

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## EXPECTED TIMETABLE

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

Public Offer commences and **WHITE** and

**YELLOW** Application Forms available from . . . 9:00 a.m. on Thursday, 30 November 2017

Latest time to complete electronic applications

under the **HK eIPO White Form** service through

the designated website [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on Tuesday, 5 December 2017

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Tuesday, 5 December 2017

Latest time for lodging **WHITE** and **YELLOW**

Application Forms . . . . . 12:00 noon on Tuesday, 5 December 2017

Latest time for giving **electronic**

**application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Tuesday, 5 December 2017

Latest time to complete payment of

**HK eIPO White Form** applications by

effecting internet banking transfer(s) or

PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, 5 December 2017

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Tuesday, 5 December 2017

Expected Price Determination Date<sup>(5)</sup> . . . . . Wednesday, 6 December 2017

Announcement of the final Offer Price, the level

of indication of interest in the Placing, the level

of applications in the Public Offer and the basis

of allocation of the Public Offer Shares to be

published on the website of our Company at

[www.kinpang.com.mo](http://www.kinpang.com.mo)<sup>(6)</sup> and the Stock Exchange at

[www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Thursday, 14 December 2017

Results of allocations in the Public Offer (with

successful applicants' identification document or

business registration 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"

of this prospectus including the website of our

Company at [www.kinpang.com.mo](http://www.kinpang.com.mo)<sup>(6)</sup> and

the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) from . . . . . Thursday, 14 December 2017

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## EXPECTED TIMETABLE

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Results of allocations in the Public Offer will  
be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with  
a “search by ID” function from . . . . . Thursday, 14 December 2017

Despatch/Collection of Share certificates or deposit of  
the Share certificates into CCASS in respect of  
wholly or partially successful applications  
pursuant to the Public Offer on or before<sup>(7)(9)</sup> . . . . . Thursday, 14 December 2017

Despatch of **HK eIPO White Form** e-Auto Refund  
payment instructions and despatch/collection  
of refund cheques in respect of wholly or  
partially successful applications (if applicable) or  
wholly or partially unsuccessful applications pursuant  
to the Public Offer on or before<sup>(8)(9)</sup> . . . . . Thursday, 14 December 2017

Dealings in the Shares on the Stock Exchange  
expected to commence at 9:00 a.m. on . . . . . Friday, 15 December 2017

*Notes:*

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk), after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a 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 Tuesday, 5 December 2017, the application lists will not open on that day. See “How to Apply for Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” of this prospectus.
4. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to Apply for Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” of this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 6 December 2017. If, for any reason, the Offer Price is not agreed between the Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) by the Price Determination Date, the Share Offer will not proceed and will lapse.
6. None of the website or any of the information contained on the website forms part of this prospectus.
7. Share certificates will only become valid at 8:00 a.m. on Friday, 15 December 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Public Offer – Grounds for Termination” of this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

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## EXPECTED TIMETABLE

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8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque, if any. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque, if any.
9. Applicants who apply on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 14 December 2017 or such other date as notified by our Company on the website of our Company at [www.kinpang.com.mo](http://www.kinpang.com.mo) or the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as the date of despatch/collection of Share certificates/refund cheques/e-Auto Refund payment instructions. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Company's Hong Kong Branch Share Registrar at the time of collection.

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

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies – Personal Collection – (iv) If You Apply via Electronic Application Instructions to HKSCC" of this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed "How to Apply for Public Offer Shares – 13. Refund of Application Monies" and "How to Apply for Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" of this prospectus.

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

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company, solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offer of the Offer Shares or the distribution of this prospectus. The offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Selling Shareholder, the Sponsor, the Bookrunner, the Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer. Information contained in our Company's website, at [www.kinpang.com.mo](http://www.kinpang.com.mo), does not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information which 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 summarised in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

*Unless otherwise specified, translations of HK\$ into MOP in this prospectus are based on the exchange rate HK\$1.00: MOP1.03.*

### BUSINESS OVERVIEW

We are an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services, solely in Macau. Since our establishment in 2006, our Group has accumulated experience in providing a wide spectrum of construction services to our customers. Our services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers).

The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Building and ancillary services	198,218	95.8	165,301	95.2	163,003	92.6	72,551	93.9	74,010	95.7
Emergency repair services	8,727	4.2	8,408	4.8	13,036	7.4	4,742	6.1	3,291	4.3
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

Our building and ancillary services mainly included foundation associated works, hard landscaping, alteration and addition works, road works, water pipe works, electrical and mechanical works and other ancillary building works. During the Track Record Period, we mainly undertook building and ancillary works in relation to hotel and casino resorts, public amenities and utilities and other industrial development. Please refer to the section headed “Business – Description of our Construction Services” in this prospectus for further details.

Our emergency repair services typically refer to our provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis. During the fixed contract term, we are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from electricity and water utility companies.

During the Track Record Period, we had completed a total of 158 projects, including 150 building and ancillary services projects and 8 emergency repair services projects. As at the Latest Practicable Date, our backlog included 33 building and ancillary services projects, with an aggregate outstanding contract sum of MOP184.3 million.

During the Track Record Period, all of our Group’s revenue was derived in Macau and our Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is Macau Government, while private sector projects refer to projects that are not within the public sector.

During the Track Record Period, our private sector projects mainly comprised (i) building and ancillary works (mainly including foundation associated works, hard landscaping, alteration and addition works and road works) related to hotel and casino resorts development; and (ii) emergency repair services projects related to infrastructure of electricity and water supply, while our public sector projects mainly comprised building and ancillary services projects in relation to public amenities and utilities.



## SUMMARY

The following table sets forth a breakdown of our revenue by project nature during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Private sector	203,802	98.5	136,060	78.3	173,783	98.7	76,826	99.4	74,564	96.5
Public sector	3,143	1.5	37,649	21.7	2,256	1.3	467	0.6	2,737	3.5
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

*Note:* Public sector projects refer to projects of which project employer is Macau Government, while private sector projects refer to projects that are not within public sector.

We undertook projects as both main contractor and subcontractor during the Track Record Period. We mainly act as main contractor in public sector projects and other private sector projects awarded by electricity and water utility companies in Macau. In relation to hotel and casino development projects, we are generally engaged as subcontractor by main contractors employed by relevant hotel and casino owners in the projects. The majority of our revenue during the Track Record Period was derived from projects in which we acted as subcontractor.

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our revenue attributable to variation orders amounted to approximately MOP43.3 million, MOP81.1 million, MOP67.9 million and MOP3.2 million, respectively, representing approximately 20.9%, 46.7%, 38.6% and 4.1% of our total revenue, respectively. Our Group has not experienced any major disputes with our customers on the amount of variation orders during the Track Record Period and up to the Latest Practicable Date.

For further details regarding the variation orders, please refer to the section headed “Business – Operating Procedures – Building and Ancillary Services” in this prospectus.

### CUSTOMERS

Projects awarded to us by various customers including but not limited to (i) hotel and casino resort owners or their main contractors; (ii) electricity and water utility companies and the Macau Government or their main contractors; and (iii) other types of project employers (including a food catering group, residential property owners and educational institutions) or their main contractors.

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, revenue contributed by our top five customers, in aggregate, amounted to approximately MOP202.2 million, MOP150.6 million, MOP145.9 million and MOP70.5 million, respectively, representing approximately 97.7%, 86.7%, 82.9% and 91.2% of our total revenue, respectively, and during the same period, our revenue contributed by our largest customer accounted for approximately 90.3%, 52.2%, 34.6% and 39.3%, respectively, of our total revenue. During the Track Record Period, we exhibited certain level of concentration on our major customers. For further details, please refer to the section headed “Business – Customers – Customer Concentration” in this prospectus. We in general grant credit terms of 30-60 days to our customers from the date of invoices on progress payments of contract works. Certain customers were also our supplier or subcontractors which details are set out in the sections headed “Business – Customers – Top Customer Who Was Also Our Supplier” and “Business – Customers – Top Customers Who Were Also Our Subcontractors” in this prospectus. For further details of our customers, please refer to the section headed “Business – Customers” in this prospectus.

### Trade receivables and retention receivables from Customer A

In Project BA1, Customer A (being the main contractor) was instructed by Customer C (being the project employer in a hotel and casino development project) to appoint Kin Pang as nominated subcontractor for undertaking certain building and ancillary works. In selecting Kin Pang as a nominated subcontractor, Customer C had directly invited Kin Pang to participate in the tender of Project BA1 by way of an invitation letter. In response to Customer C’s direct invitation, Kin Pang had submitted its tender documents directly to Customer C for selection. Following the tender selection process, Kin Pang was informed that it would be engaged as a nominated subcontractor in Project BA1 by way of a letter of intent directly from Customer C.

Subsequently, Customer C had informed the other working parties including Customer A (the main contractor) and the architect of Project BA1 about its intent to engage us as one of its nominated subcontractors. Upon Customer C’s instruction, Customer A (as the main contractor) had then entered into a formal contract with Kin Pang for confirming its engagement.

## SUMMARY

As at 26 July 2017, our trade receivables and retention receivables from Customer A amounted to approximately MOP7.9 million and MOP11.1 million respectively. Further, subsequently on 27 July 2017, our Group received payment of approximately MOP6.8 million from Customer A in respect of our trade receivables. On 15 September 2017, approximately MOP6.0 million of our retention monies with Customer A were certified and therefore such amount was then recorded as our trade receivables. On 13 October 2017 and 17 November 2017, our Group further received payment of MOP3.0 million and MOP3.0 million respectively from Customer A in respect of our trade receivables. As a result of the above, as at the Latest Practicable Date, our trade receivables and retention receivables from Customer A were reduced to approximately MOP1.1 million and MOP5.1 million, respectively.

Since early April 2017, the trading in the ordinary shares and debt securities of Customer A Listco listed on the Stock Exchange has been suspended. According to a subsequent announcement in May 2017, it was reported that there were uncertainties relating to going concern of Customer A Listco.

Our Directors consider that risk of non-recovery of our trade receivables and retention receivables from Customer A is low for reasons as discussed in the section headed “Business – Customers – Trade Receivables and Retention Receivables from Customer A” in this prospectus.

### OUR TENDERING STRATEGY AND SUCCESS RATE

The following table sets forth the success rate of our tenders and quotations submitted for the building and ancillary services projects during the Track Record Period:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>Five months ended 31 May 2017</u>
Number of tenders and quotations submitted	103	94	102	38 <sup>(Note)</sup>
Number of unsuccessful tenders and quotations	49	46	41	8
Number of building and ancillary services projects awarded	51	42	57	11
Number of tenders and quotations pending results as at the end of the relevant financial year/ period	3	6	4	19
Success rate (%)	49.5	44.7	55.9	28.9 <sup>(Note)</sup>

*Note:* Our Directors consider that the decrease in the tenders and quotations success rate for the five months ended 31 May 2017 was mainly because, among these 38 tenders and quotations submitted during the period, the results of 19 projects were pending as at 31 May 2017. If our Group subsequently is awarded with any of these 19 projects, such project(s) will be recorded as project(s) awarded after 31 May 2017.

We may from time to time respond to customers’ invitations by submitting quotations/ tenders after taking into account our pricing strategy instead of turning them down. Our Directors believe such strategy allows 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.

The following table sets forth a breakdown of our revenue derived from building and ancillary services projects during the Track Record Period through submission and tender and quotation:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>Five months ended 31 May 2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Projects awarded through submission of tender	192,969	138,934	138,124	58,235
Projects awarded through submission of quotation	5,249	26,367	24,879	15,775
	<u>198,218</u>	<u>165,301</u>	<u>163,003</u>	<u>74,010</u>

## SUMMARY

### SUPPLIERS AND SUBCONTRACTORS

Our suppliers mainly include (i) suppliers of diesel fuel for powering the machinery used; (ii) suppliers of construction materials required for our operations (mainly including concrete, steel, stone materials, cement, sewer covers, water pipes and electrical components); (iii) lessors of machinery (such as crawler cranes); and (iv) suppliers of other miscellaneous services such as the transportation of machinery and construction waste. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our purchase from our top five suppliers, in aggregate, amounted to approximately MOP34.3 million, MOP15.2 million, MOP11.6 million and MOP10.5 million of our total direct costs (excluding labour cost and subcontracting charges incurred), respectively, representing approximately 61.9%, 41.5%, 34.5% and 69.9% of our total direct costs (excluding labour cost and subcontracting charges incurred), respectively, and during the same period, our purchase from our top supplier accounted for approximately 26.3%, 14.1% 21.3% and 44.3%, respectively, of our total direct costs (excluding labour cost and subcontracting charges incurred).

Depending on the scale, complexity and requirement of the project, we engage subcontractors from time to time to perform certain construction works (mainly including ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works). During the Track Record Period, our subcontracting charges incurred to our top five subcontractors, in aggregate, amounted to approximately MOP84.8 million, MOP50.3 million, MOP33.9 million and MOP28.4 million, respectively, representing approximately 79.7%, 60.2%, 39.4% and 86.2% of our total subcontracting charges, respectively.

For further details, please refer to the sections headed “Business – Suppliers” and “Business – Subcontractors” in this prospectus.

#### Direct costs

Our Group’s direct costs during the Track Record Period mainly include subcontracting charges, construction material costs, labour costs and other expenses, which is primarily recognised and transferred from work-in-progress to the combined statements of comprehensive income based on the percentage of completion. Our Group’s direct costs decreased during the Track Record Period due to the decrease in ELS works carried out which led to the decrease of subcontracting charges by our Group for the year ended 31 December 2015 and 2016. The following table sets forth a breakdown of our Group’s direct costs during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Subcontracting charges	106,401	57.2	83,614	57.4	85,997	60.6	44,987	67.8	32,963	55.0
Construction material costs	31,336	16.8	21,022	14.4	25,767	18.2	10,065	15.2	11,015	18.4
Labour costs	24,439	13.1	25,414	17.4	22,190	15.6	7,006	10.6	12,031	20.1
Others	24,022	12.9	15,603	10.8	7,975	5.6	4,235	6.4	3,972	6.5
Total	186,198	100.0	145,653	100.0	141,929	100.0	66,293	100.0	59,981	100.0

Our Directors intend to execute our future additional projects by our direct labour resources to the extent possible without substantial use of subcontractor because our Directors consider that holding all else the same, the use of our own direct labour resources (compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors.

For further details, please refer to the sections headed “Financial Information – Principal Components of Results of Operations” and “Business – Business Strategies” in this prospectus.

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## SUMMARY

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### MAJOR QUALIFICATION AND CERTIFICATIONS

Our subsidiary, Kin Pang, is registered with the DSSOPT as a construction company since 2007. In respect of our Group's quality control, Kin Pang has been accredited with ISO 9001:2008 (currently ISO 9001:2015), ISO 14001:2004 (currently ISO 14001:2015) and OHSAS 18001:2007 since 2011, 2015 and 2015, respectively. For further details, please refer to the section headed "Business – Major Qualification and Certifications" in this prospectus.

### COMPETITIVE STRENGTHS

Our Directors believe that the competitive strengths, which set us apart from our competitors and enable us to continue our growth and enhance our profitability, comprise (i) established presence in the construction industry in Macau; (ii) diversified experience and capabilities in a wide spectrum of construction services; (iii) stable relationships with some of our major customers; (iv) stringent quality control and high safety standard and environmental impact control; (v) experienced and dedicated management team; (vi) possession of a variety of machinery to carry out construction works; and (vii) our extensive network with our pool of suppliers and subcontractors. For further details, please refer to the section headed "Business – Competitive Strengths" in this prospectus.

### BUSINESS STRATEGIES AND USE OF PROCEEDS

The principal business objective of our Group is to further strengthen our position as an integrated construction contractor in Macau. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional building and ancillary services projects and emergency repair services projects, from both existing and potential new customers, on top of our present scale of operation and our current projects on hand. We estimate that the aggregate net proceeds to be received by us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and an Offer Price of HK\$0.5 per Share (being the mid-point of the indicative Offer Price range), will be approximately HK\$75.3 million (equivalent to approximately MOP77.6 million). To achieve our future expansion plans, our Directors intend to apply (i) approximately HK\$41.4 million (equivalent to approximately MOP42.7 million) to finance the issue of performance guarantees for future projects; (ii) approximately HK\$15.1 million (equivalent to approximately MOP15.6 million) to acquire additional machinery and equipment; and (iii) approximately HK\$11.3 million (equivalent to approximately MOP11.6 million) to further strengthen our manpower, and (iv) approximately HK\$7.5 million (equivalent to approximately MOP7.7 million) will be used as our general working capital. Assuming the Offer Price is fixed at HK\$0.5 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$24.13 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer. For further details, please refer to the sections headed "Business – Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus.

### REASONS AND BENEFITS FOR THE LISTING

Our Directors believe that the Listing will benefit our Group for a number of reasons.

In particular, the capital raised through the Listing would strengthen our Group's cashflow position which in turn will enable our Group to undertake more potential new projects and/or projects in larger scale in terms of contract sum in light of the expected growth in market size of construction market in Macau. The Listing would also enable our Group to further expand our in-house team with high caliber so as to explore new business opportunities and provide quality services to our customers in Macau.

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## SUMMARY

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In addition the Listing would enable our Group to obtain debt financing with more favourable terms from financial institutions, and will allow our Group to strengthen our profile, creditability, internal and corporate governance practice, regulatory supervision and financial transparency, which in turn will enhance our competitiveness among other construction contractors in Macau.

For further details, please refer to the section headed “Future Plans and Use of Proceeds – Reasons and Benefits for the Listing” in this prospectus for detailed reasons for the listing.

In addition, we intend to implement our business strategies which require funding and are intended to be financed by the proceeds from the Share Offer, as detailed in the section headed “Business – Business Strategies” in this prospectus.

### MARKET AND COMPETITION

According to the Frost & Sullivan Report, the estimated revenue of building and ancillary services market in Macau has grown from approximately MOP13.4 billion in 2012 to approximately MOP47.1 billion in 2016, representing a CAGR of approximately 36.9%. Driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of approximately 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021.

In general, the building and ancillary service industry in Macau is quite competitive, with around 500 players in the market and the presence of Hong Kong-based players holding considerable market shares.

The competition focus in the Macau building and ancillary services market include: (i) established long-term relationship; (ii) capital capability; and (iii) clear market position.

For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry Overview” in this prospectus.

### CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), Fortunate Year will be beneficially interested in 67.0% of the issued share capital of our Company which is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Fortunate Year is owned as to 60% and 40% by Mr. Kong and Ms. Choi, respectively.

### PRE-IPO INVESTOR

On 19 May 2017, Clear Achieve, Mr. Kong, Ms. Choi and the Pre-IPO Investor (i.e. Quasar Global Selection SPC Fund (the “SPC”) – Shenzhen Qianhai Glory Fund) entered into a subscription agreement, pursuant to which the Pre-IPO Investor conditionally agreed to subscribe 20 shares of Clear Achieve, representing 10% of the enlarged issued share capital of Clear Achieve upon completion, at a consideration of HK\$13,000,000. Completion of such subscription took place on 1 June 2017. On the basis that the Pre-IPO Investor will hold 80,000,000 Shares (representing 8.0% of the total issued Shares of our Company) immediately following completion of the Share Offer and the Capitalisation Issue, the price paid by the Pre-IPO Investor per Share is approximately HK\$0.163, representing a discount of approximately 59% and 73% respectively to the Offer Price of HK\$0.4 per Offer Share and HK\$0.6 per Offer Share. For further information, please refer to the section headed “History, Reorganisation and Group Structure – Pre-IPO Investment” in this prospectus.

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## SUMMARY

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The SPC is a regulated mutual fund for the purposes of Mutual Funds Laws of the Cayman Islands and is registered with the Cayman Islands Monetary Authority pursuant to the Mutual Funds Law of the Cayman Islands. As at the Latest Practicable Date, the SPC and the Shenzhen Qianhai Glory Fund (being a segregated portfolio designated by the SPC) are not subject to the regulations of the SFC.

### SUMMARY OF FINANCIAL INFORMATION

The tables below set forth the key financial information of us derived from our combined financial statements set out in the Accountants' Report in Appendix I to this prospectus. The following information should be read in conjunction with the section headed "Financial Information" in this prospectus and the combined financial statements and the related notes in the Accountants' Report in Appendix I to this prospectus.

#### Combined statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Revenue	206,945	173,709	176,039	77,293	77,301
Gross profit	20,747	28,056	34,110	11,000	17,320
Profit before taxation	18,036	23,128	28,227	8,581	11,545
Profit and total comprehensive income for the year/period	16,123	21,024	25,979	7,623	9,944

Our Group's revenue decreased from FY2014 to FY2015 which was mainly attributable to the major portion of Project BA1 being completed in FY2014. Our Group's revenue remained stable from FY2015 to FY2016. The revenue for the five months ended 31 May 2016 and 2017 also maintained stable. Notwithstanding the major portion of Project BA1 was completed in FY2014, our Group took up increasing number of smaller size projects in FY2015 and FY2016 which required less subcontracting and as such our gross profit, profit before taxation and profit and total comprehensive income for the year increased from FY2014 to FY2016. Project BA1 was completed in FY2016 and we devoted more direct labour rather than subcontracting in our projects in the five months ended 31 May 2017 and as such our gross profit, profit before taxation and profit and total comprehensive income for the period increased from the five months ended 31 May 2016 to the five months ended 31 May 2017.

## SUMMARY

### Combined statements of financial position

	As at 31 December			As at 31 May
	2014	2015	2016	2017
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Non-current assets	6,999	9,980	10,929	10,179
Current assets	<u>97,171</u>	<u>134,802</u>	<u>162,657</u>	<u>173,942</u>
<b>Total assets</b>	<b><u>104,170</u></b>	<b><u>144,782</u></b>	<b><u>173,586</u></b>	<b><u>184,121</u></b>
Non-current liabilities	4,217	4,658	3,552	3,113
Current liabilities	<u>45,336</u>	<u>69,483</u>	<u>82,314</u>	<u>69,894</u>
<b>Total liabilities</b>	<b><u>49,553</u></b>	<b><u>74,141</u></b>	<b><u>85,866</u></b>	<b><u>73,007</u></b>
<b>Net current assets</b>	<b><u>51,835</u></b>	<b><u>65,319</u></b>	<b><u>80,343</u></b>	<b><u>104,048</u></b>
Equity attributable to owners of our Company	54,617	70,641	87,720	97,664
Non-controlling interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,450</u>
<b>Total equity</b>	<b><u>54,617</u></b>	<b><u>70,641</u></b>	<b><u>87,720</u></b>	<b><u>111,114</u></b>

The equity increased from approximately MOP54.6 million as at 31 December 2014 to approximately MOP87.7 million as at 31 December 2016 which was mainly attributable to the profit for FY2015 and FY2016 and partly offset by the dividend paid during FY2015 and FY2016. The increase in equity from 31 December 2016 to 31 May 2017 was mainly attributable to the profit during the period and the investment made by the Pre-IPO Investor.

### Combined statements of cash flows

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Net cash from (used in) operating activities	18,280	729	28,489	12,314	(8,727)
Net cash used in investing activities	(5,559)	(1,319)	(2,803)	(6,766)	(388)
Net cash from (used in) financing activities	841	(4,592)	(952)	(794)	12,139
Net increase (decrease) in cash and cash equivalents	13,562	(5,182)	24,734	4,754	3,024
Cash and cash equivalents at beginning of the year/period	4,328	17,890	12,708	12,708	37,442
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	17,890	12,708	37,442	17,462	40,466

## SUMMARY

The cash and cash equivalents, comprising bank balances and cash, decreased from approximately MOP17.9 million as at 31 December 2014 to approximately MOP12.7 million as at 31 December 2015. The decrease was mainly attributable to net cash used in investing activities of approximately MOP1.3 million primarily as a result of (i) purchases of property and equipment of approximately MOP5.1 million; (ii) advance to a related party of approximately MOP10.8 million, and partly offset by the repayment from a related party of approximately MOP13.3 million; and net cash used in financing activities of approximately MOP4.6 million primarily as a result of the dividends paid of approximately MOP5.0 million. It was offset by the net cash from operating activities of approximately MOP0.7 million arising from profit during the year.

The cash and cash equivalents increased to approximately MOP37.4 million as at 31 December 2016, primarily attributable to net cash from operating activities of approximately MOP28.5 million and partly offset by the net cash used in investing activities of approximately MOP2.8 million and net cash used in financing activities of approximately MOP1.0 million.

The cash and cash equivalents slightly increased to approximately MOP40.5 million as at 31 May 2017. The increase was mainly attributable to net cash from financing activities of approximately MOP12.1 million, which was partly offset by the net cash used in operating activities of approximately MOP8.7 million and net cash used in investing activities of approximately MOP0.4 million. Our Group's net cash used in operating activities during the five months ended 31 May 2017 amounted to approximately MOP8.7 million was mainly attributable to the negative working capital changes of approximately MOP21.5 million, which was mainly due to (i) increase in trade receivables of approximately MOP4.1 million; and (ii) increase in amounts due from customers for contract work of approximately MOP5.9 million.

### Key financial ratios

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Return on total assets	15.5%	14.5%	15.0%	5.4%
Return on equity	29.5%	29.8%	29.6%	8.9%
Net profit margin	7.8%	12.1%	14.8%	12.9%
Interest coverage	58.1	71.9	142.8	168.3
	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Current ratio	2.1	1.9	2.0	2.5
Quick ratio	2.1	1.9	2.0	2.5
Gearing ratio	10.7%	9.3%	16.8%	12.1%
Net debt to equity ratio	net cash	net cash	net cash	net cash

*Note:*

For further information on the calculation of the key financial ratios, please refer to the section headed "Financial Information – Key Financial Ratio" in this prospectus.



## SUMMARY

Our return on equity and return on total assets were stable from FY2014 to FY2016. Our net profit margin increased during the Track Record Period was mainly attributable to the increase in gross profit margin. Our increase in interest coverage during the Track Record Period was due to the gradual increase in profit during the Track Record Period and decrease in finance costs from FY2014 to FY2016. Since our Group did not hold any inventory, quick ratio of our Group was the same as our current ratio. Current ratio and quick ratio remained relatively stable during the Track Record Period. Our gearing ratio changed over the Track Record Period due to the combined effect of (i) the total equity of our Group increased notably resulting from our net profit of approximately MOP16.1 million, MOP21.0 million, MOP26.0 million and MOP9.9 million for the each of three years ended 31 December 2016 and for the five months ended 31 May 2017, respectively; (ii) the increase in total equity due to the Pre-IPO Investment; (iii) the aggregate amount of our bank borrowings increased from approximately MOP5.8 million as at 31 December 2014 to approximately MOP6.4 million as at 31 December 2015, and decreased to MOP4.7 million as at 31 December 2016 and further decreased to MOP4.2 million as at 31 May 2017; and (iv) increase in non-trade amount due to related parties. Net cash position was recorded throughout the Track Record Period, thus the net debt to equity ratio is not applicable to our Group.

The following table sets forth a breakdown of our revenue generated from our building and ancillary services projects by the category of project employers during the Track Record Period:

Category of project employers	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Hotel and casino resort owners	191,717	96.7	112,658	68.2	140,800	86.4	63,208	87.1	67,881	91.7
Electricity and water utility companies and the Macau Government	4,452	2.2	45,892	27.8	10,797	6.6	1,621	2.2	4,565	6.2
Others	2,049	1.1	6,751	4.0	11,406	7.0	7,722	10.7	1,564	2.1
<b>Total</b>	<b>198,218</b>	<b>100.0</b>	<b>165,301</b>	<b>100.0</b>	<b>163,003</b>	<b>100.0</b>	<b>72,551</b>	<b>100.0</b>	<b>74,010</b>	<b>100.0</b>

The following table sets forth a breakdown of our revenue by reference to our role in the projects during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
	FY2014		FY2015		FY2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Main contractor	18,526	9.0	66,829	38.5	29,650	16.8	9,132	11.8	7,942	10.3
Subcontractor	188,419	91.0	106,880	61.5	146,389	83.2	68,161	88.2	69,359	89.7
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

## SUMMARY

The following table sets forth a breakdown of our revenue by project nature during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>
							(unaudited)			
Private sector	203,802	98.5	136,060	78.3	173,783	98.7	76,826	99.4	74,564	96.5
Public sector	3,143	1.5	37,649	21.7	2,256	1.3	467	0.6	2,737	3.5
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

The following table sets forth a breakdown of our Group's gross profit and gross profit margin during the Track Record Period by business segments:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	<u>Gross profit</u>	<u>margin</u>	<u>Gross profit</u>	<u>margin</u>	<u>Gross profit</u>	<u>margin</u>	<u>Gross profit</u>	<u>margin</u>	<u>Gross profit</u>	<u>margin</u>
	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>
							(unaudited)			
Building and ancillary services	20,175	10.2	26,065	15.8	29,758	18.3	9,592	13.2	15,810	21.4
Emergency repair services	572	6.6	1,991	23.7	4,352	33.4	1,408	29.7	1,510	45.9
<b>Total/Overall</b>	<b>20,747</b>	<b>10.0</b>	<b>28,056</b>	<b>16.2</b>	<b>34,110</b>	<b>19.4</b>	<b>11,000</b>	<b>14.2</b>	<b>17,320</b>	<b>22.4</b>

Our gross profit margin from our building and ancillary services segment rose steadily over the Track Record Period mainly due to: (i) less construction works proceeded in relation to Project BA1 (revenue in FY2014: MOP186.7 million versus revenue in FY2016: MOP58.0 million), the largest building and ancillary project during the Track Record Period, which generated lower gross profit margin as it involved ELS works which generally are subcontracted out; and (ii) more construction works undertaken in the medium-size building and ancillary services projects (Project BA2, Project BA3, Project BA4, Project BA5, Project BA6, Project BA8, Project BA9 and Project BA10), which have higher profit margin as compared with BA1 as they involved more direct labour resources comparing with Project BA1.

Our gross profit margin from our emergency repair services segment rose significantly over the Track Record Period mainly due to: (i) the increase in the basic monthly income for an emergency repair project. The basic monthly income of this project has been increased by approximately MOP50,000 per month or 25% from MOP200,000 per month for the year ended 31 December 2014 to MOP250,000 per month for the year ended 31 December 2015; (ii) the increase of service charges of ad hoc works; (iii) increase in the number of emergency repair services projects for the year ended 31 December 2016 with higher profit margin; and (iv) renewal of an emergency repair services contract with higher rates for ad hoc works.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of providing building and ancillary services as well as emergency repair services in Macau.

In respect of our building and ancillary services projects, our Group was awarded with 41 projects from 1 June 2017 up to the Latest Practicable Date. Out of these 41 contracts, 20 were completed as at the Latest Practicable Date, while the remaining 21 were on-going as at the Latest Practicable Date. We had 76 employees as at the Latest Practicable Date.

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## SUMMARY

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As at the Latest Practicable Date, our backlog included 33 building and ancillary services projects, with an aggregate outstanding contract sum of MOP184.3 million. From these projects in our backlog as at the Latest Practicable Date, the total revenue to be recognised is estimated to amount to approximately MOP43.6 million for FY2017 and the remaining MOP140.7 million for FY2018. Please refer to the section headed “Business – Our Construction Projects – Our Building and Ancillary Services Projects” for the job particulars of our on-going projects with awarded contract sum above MOP4.0 million.

From 1 June 2017 up to the Latest Practicable Date, we did not experience any significant drop in revenue or increase in costs of services or other costs (apart from listing expenses incurred) as there were no significant changes to the general business model of our Group.

Apart from the impact of listing expenses, and based on our ongoing projects and our business operations subsequent to the Track Record Period and up to the Latest Practicable Date, our Directors do not foresee any material adverse change in our revenue for the year ending 31 December 2017. Our Directors further confirm that save for the impact of the listing expenses, there has been no event, nor material adverse change in our financial or trading position or prospects since 31 May 2017, which would have materially affected the information presented in our combined financial statements included in the Accountants’ Report set forth in Appendix I of this prospectus.

### LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$24.7 million (equivalent to approximately MOP25.5 million) (based on the Offer Price of HK\$0.5 per Offer Share being the mid-point of the indicative Offer Price range). Of such amount, approximately HK\$8.7 million (equivalent to approximately MOP9.0 million) is directly attributable to the issue of the Share Offer and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$16.0 million (equivalent to approximately MOP16.5 million), which cannot be so deducted, will be charged to profit or loss. Approximately HK\$2.1 million (equivalent to approximately MOP2.1 million) has been charged during the Track Record Period. The remaining amount of approximately HK\$13.9 million (equivalent to approximately MOP14.4 million) is expected to be incurred for the year ending 31 December 2017. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that our Group’s financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the Listing.

With an Offer Price of HK\$0.5, the underwriting commissions and fees payable by the Selling Shareholder for the Sale Shares is HK\$0.9 million. Except for the aforementioned underwriting commissions and fees, the Selling Shareholder is not responsible for other expenses relating to the Listing, which should instead be borne by and accounted for by us. All the contracts for the professional services in relation to the Listing have been entered into between our Group and the respective service providers and as such, all the relevant services have been rendered to our Group only. On the other hand, the Selling Shareholder is not a party to the service contracts and therefore is not liable for any of the associated costs.

### DIVIDENDS

During the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, Kin Pang declared and paid dividends of MOP1,500,000, MOP5,000,000, MOP8,900,000 and nil, respectively, to the then shareholders. Our Group currently does not have a fixed dividend policy. Dividend to be declared and paid in the future will be subject to the discretion of our Directors depending on our Group’s business performance, financial conditions, cash availability, related statutory restrictions, future plan and prospects, and any other factors that our Directors may consider relevant. Any declaration and payment, including the amount of the dividends, will be subject to our Group’s constitutional documents and the relevant laws.

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## SUMMARY

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### OFFER STATISTICS

The following table sets forth the statistics under the Share Offer:

	<b>Based on the Offer Price of HK\$0.4 per Offer Share</b>	<b>Based on the Offer Price of HK\$0.6 per Offer Share</b>
Market capitalisation of our Company at Listing <sup>(Note 1)</sup>	HK\$400 million	HK\$600 million
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017 per Share <sup>(Note 2)</sup>	MOP0.17	MOP0.21

Notes:

1. The calculation of market capitalisation is based on the 1,000,000,000 Shares expected to be in issue immediately upon completion of the Share Offer.
2. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company as at 31 May 2017 per Share is calculate based on 920,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 May 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company's general mandates.
3. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 May 2017.

### HISTORICAL NON-COMPLIANCE AND LITIGATION AND CLAIMS

During the Track Record Period, we were involved in five concluded claims filed by injured workers against us. For further details, please refer to the section headed "Business – Litigation and Claims" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, our Group did not record any non-compliance that is material or systemic in nature.

### RISK FACTORS

There are certain risks involved in our business operations, many of which are beyond our control. Any of the factors set out in the section headed "Risk Factors" in this prospectus may limit our Group's ability to execute its strategies successfully. The Directors believe that the major risks that may have a material adverse impact on our Group, including (i) a significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results; (ii) our past gross profit and gross profit margin may not be indicative of our future performance and we experienced a decline in our total revenue in FY2015 of the Track Record Period; (iii) we are subject to credit risk in respect of our trade and other receivables. In particular, there is no guarantee that our Group may be able to receive from Customer A our trade receivables of MOP1.1 million and retention receivables of MOP5.1 million as at the Latest Practicable Date; (iv) our revenue derived from Project BA1 (being our largest building and ancillary services project during the Track Record Period) with Customer A is not indicative of our future performance; (v) our revenue is mainly derived from projects which are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses; (vi) substantial portion of our revenue was derived from projects in relation to hotel and casino resorts developments in Macau and any downturn in the gaming industry and retail industry in Macau will adversely affect our financial performance; and (vii) we determine our quotation or tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results.

### NO MATERIAL ADVERSE CHANGE

Save as the listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2017 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 May 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.*

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on 24 November 2017 with effect from the Listing Date and as amended from time to time, a summary of which is set forth in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	our board of Directors
“Bookrunner” or “Lead Manager”	Astrum Capital Management Limited, a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, and has been appointed as the bookrunner and lead manager for the Share Offer
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are normally open for business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 799,999,900 Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the section headed “Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 3. Written resolutions of our Shareholders passed on 24 November 2017” in Appendix IV to this prospectus

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## DEFINITIONS

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“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 participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board, Mr. Kong
“Chinney Timwill”	Chinney Timwill Construction (Macau) Co. Ltd., being a wholly-owned subsidiary of a company listed on the Main Board
“Clear Achieve”	Clear Achieve Global Limited (亮達環球有限公司), a company incorporated in the BVI with limited liability on 1 March 2017, which is a direct wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong

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## DEFINITIONS

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“Company” and “our Company”	Kin Pang Holdings Limited (建鵬控股有限公司) an exempted company incorporated in the Cayman Islands with limited liability on 22 June 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council of Hong Kong
“construction machinery”	the construction machines and construction vehicles
“Controlling Shareholder(s)”	has the meaning ascribed to it thereto under the Listing Rules, means Fortunate Year, Mr. Kong and Ms. Choi
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Customer A”	a top customer of our Group during the Track Record Period, being a subsidiary of Customer A Listco, details of which are set out in the section headed “Business – Customers” in this prospectus
“Customer A Listco”	a public company listed in the Stock Exchange, the principal activities of which include construction business, property and facility management business, and property development, details of which are set out in the section headed “Business – Customers” in this prospectus
“Customer C”	a top customer of our Group during the Track Record Period, being subsidiaries of a public company listed in the Stock Exchange, the principal activities of which mainly include operation of hotel and casino resort, details of which are set out in the section headed “Business – Customers” in this prospectus
“Deed of Indemnity”	the deed of indemnity dated 24 November 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding certain indemnities, details of which are set out in the section headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus

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## DEFINITIONS

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“Deed of Non-competition”	the deed of non-competition dated 24 November 2017 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding non-competition undertakings, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-Competition Undertakings by our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“DSEC”	Macau Statistics and Census Service
“DSSOPT”	Land, Public Works and Transport Bureau of Macau (in Portuguese, the Direcção dos Serviços de Solos, Obras Públicas e Transportes da Região Administrativa Especial de Macau and in Chinese, 澳門特別行政區土地工務運輸局)
“ELS”	excavation and lateral support
“Fortunate Year”	Fortunate Year Investments Limited (瑞年投資有限公司), the Selling Shareholder and a company incorporated in the BVI with limited liability on 9 May 2017, which is owned as to 60% by Mr. Kong and 40% by Ms. Choi
“Frost & Sullivan”	Frost & Sullivan Limited, an international market research consultant and an Independent Third Party
“Frost & Sullivan Report”	a market research report commissioned by our Group and prepared by Frost & Sullivan on the overview of the industries in which our Group operates or intends to operate
“FY2014”	the financial year ended 31 December 2014
“FY2015”	the financial year ended 31 December 2015
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ending 31 December 2017
“FY2018”	the financial year ending 31 December 2018



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## DEFINITIONS

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“Greatway”	Greatway Construction Engineering Limited (偉達建築工程有限公司), a company incorporated in Hong Kong with limited liability on 15 October 2009, which is an indirect wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case maybe) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“Hang Kin”	Hang Kin Engineering Co., Ltd. (桁建工程有限公司), a limited liability company incorporated in Macau on 15 November 2011, which was previously owned by Kin Pang and an Independent Third Party in equal shares. Immediately following the Reorganisation, Hang Kin was owned by Kin Hang Machinery Equipment Company Limited (建恒機械設備有限公司) and the aforesaid Independent Third Party in equal shares
“HIBOR”	Hong Kong Interbank Offered Rate
“HK eIPO White Form”	the application process for Public Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of <b>www.hkeipo.hk</b>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company
“HK\$”, “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law in Hong Kong, who is an Independent Third Party
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Kin Pang”	Kin Pang Construction and Engineering Company Limited (建鵬建築工程有限公司), a company incorporated in Macau with limited liability on 28 June 2006, which is an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	22 November 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Friday, 15 December 2017, on which our Shares are listed and from which dealings in our Shares commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macao Water”	the Macao Water Supply Company Limited
“Macao”	the Macau Special Administrative Region of PRC
“Macao Government”	the government of Macau
“Macao Legal Advisers”	Chio Tak Wo, Advogado, the legal advisers to our Company as to Macau law

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## DEFINITIONS

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“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, conditionally adopted on 24 November 2017 with effect from the Listing Date, as amended, supplemented or otherwise modified from time to time
“MOP” or “Pataca”	Macau Pataca, the lawful currency of Macau
“Mr. Kong”	Mr. Kong Kin I (龔健兒), being our Chairman, an executive Director, our chief executive officer and a Controlling Shareholder as well as the spouse of Ms. Choi
“Ms. Choi”	Ms. Choi Fong Lan (徐鳳蘭), being an executive Director and a Controlling Shareholder as well as the spouse of Mr. Kong
“New Shares”	the 200,000,000 new Shares to be offered for subscription under the Share Offer
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation – Determining the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and private investors as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus

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## DEFINITIONS

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“Placing Shares”	the 225,000,000 Shares (comprising 175,000,000 New Shares initially offered by us for subscription and 50,000,000 Sale Shares initially offered by the Selling Shareholder for purchase) at the Offer Price pursuant to the Placing, subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Selling Shareholder, and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Pre-IPO Investment”	the pre-IPO investment in our Group by the Pre-IPO Investor, as further detailed in the section headed “History, Reorganisation and Group Structure – Pre-IPO Investment” in this prospectus
“Pre-IPO Investor”	Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund (駿昇環球精選獨立組合公司基金 – 深圳前海國銀投資基金獨立組合) is a segregated portfolio company incorporated in the Cayman Islands on 3 January 2017, which owned 10% of the issued share capital of our Company upon completion of the Pre-IPO Investment and the Reorganisation

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## DEFINITIONS

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“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, 6 December 2017, on which the final Offer Price is expected to be fixed for the purpose of the Share Offer
“Project BA1”	the largest building and ancillary services project completed by our Group during the Track Record Period, details of which are set out in the section headed “Business – Our Construction Projects – Building and Ancillary Services Completed by Our Group during the Track Record Period” in this prospectus
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	25,000,000 New Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation 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 set forth in the section headed “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 November 2017 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Reorganisation”	the Reorganisation we have undergone in preparation for the Listing of Shares on the Stock Exchange which are more particularly described in the section headed “History, Reorganisation and Group Structure” in this prospectus

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## DEFINITIONS

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“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Sale Shares”	50,000,000 Shares to be offered by the Selling Shareholder for purchase at the Offer Price under the Placing
“Selling Shareholder”	Fortunate Year, which is one of the Controlling Shareholders and is expected to offer to sell the Sale Shares under the Placing
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.01 each
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 24 November 2017, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Sponsor”	Red Sun Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the sponsor of the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Track Record Period”	the period comprising FY2014, FY2015, FY2016 and the five months ended 31 May 2017
“Underwriter”	the Public Offer Underwriter and the Placing Underwriter
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“United States” or “U.S.”	the United States of America
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicants’ own name
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in Macau and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language which are marked with “\*” is for identification purpose only.*

*Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.*

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“GDP”	Gross Domestic Product
“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
“OHSAS”	acronym for Occupational Health and Safety Management Systems, which provides a framework for organisations to identify and control its occupational risks and to improve their occupational safety and health performance



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## FORWARD-LOOKING STATEMENTS

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

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

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## FORWARD-LOOKING STATEMENTS

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

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

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

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## RISK FACTORS

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*Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**A significant portion of our revenue was generated from contracts awarded by a limited number of customers and any significant decrease in the number of projects with our major customers may materially and adversely affect our financial condition and operating results**

A significant portion of our revenue was derived from a limited number of customers during the Track Record Period. Our top five customers for each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017 accounted for approximately 97.7%, 86.7%, 82.9% and 91.2% of our total revenue respectively. For the same period, our top customer accounted for approximately 90.3%, 52.2%, 34.6% and 39.3% of our total revenue respectively. Furthermore, approximately 50.7% of our total revenue during the Track Record Period was derived from Project BA1 (being our largest building and ancillary services project during the Track Record Period) with Customer A.

There is no assurance that we will continue to obtain contracts from our major customers in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we are unable to secure suitable projects of a comparable size and quantity as replacements from other customers, our financial condition and operating results would be materially and adversely affected.

In addition, in the event that our major customers experience any liquidity problem, this may result in delay or default of payments to us, in which case the business, financial positions and prospects of our Group could be materially and adversely affected.

In particular, in view of the financial positions of Customer A Listco, we cannot assure that Customer A will be awarded with sizeable construction projects by project employers in Macau, and we cannot guarantee that we will be awarded with sizeable projects from Customer A in the future. As such, the substantial revenue contribution of Customer A to our Group during the Track Record Period is not indicative to our future performance. If Customer A does not award us with projects to us for whatever reasons in the future, our financial conditions may be adversely affected.

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## RISK FACTORS

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**Our past gross profit and gross profit margin may not be indicative of our future performance and we experienced a decline in our total revenue in FY2015 of the Track Record Period**

For FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our gross profit amounted to approximately MOP20.7 million, MOP28.1 million, MOP34.1 million and MOP17.3 million respectively; while our gross profit margin was 10.0%, 16.2%, 19.4% and 22.4% respectively. However, such 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.

Our total revenue decreased from approximately MOP206.9 million for FY2014 to approximately MOP173.7 million for FY2015. Please refer to the sections headed “Financial Information – Period to Period Comparison of Results of Operation – Year ended 31 December 2015 compared with the year ended 31 December 2014 – (i) Revenue” and “Business – Our Construction Projects – Revenue by Business Segments” in this prospectus for a further discussion on the reasons for such decline. There is no assurance that our operating and financial performance in the future will remain at a level comparable to those recorded during the Track Record Period and will not decline further. Our financial condition and prospects may be adversely affected by any future decrease in our total revenue.

**We are subject to credit risk in respect of our trade and other receivables. In particular, there is no guarantee that our Group may be able to receive from Customer A our trade receivables of MOP1.1 million and retention receivables of MOP5.1 million as at the Latest Practicable Date**

There can be no assurance that our customers will settle our invoices on time and in full. In addition, when undertaking contract works, some of our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Retention money is normally up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum, and there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon project completion and/or expiry of defect liability period.

As at 31 December 2014, 2015 and 2016 and 31 May 2017, we recorded trade receivables of approximately MOP5.0 million, MOP29.5 million, MOP37.3 million and MOP41.4 million respectively, of which approximately MOP1.0 million, MOP11.3 million, MOP9.0 million and MOP32.2 million respectively have been past due but not impaired. As at 31 December 2014, 2015 and 2016 and 31 May 2017, we recorded retention receivables of approximately MOP11.6 million, MOP11.9 million, MOP20.6 million and MOP24.0 million respectively. For each of

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## RISK FACTORS

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FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our average trade receivables turnover days were approximately 25.4 days, 36.3 days, 69.5 days and 76.9 days respectively.

In particular, as at the Latest Practicable Date, our trade receivables and retention receivables from Customer A amounted to approximately MOP1.1 million and MOP5.1 million, respectively. Since early April 2017, the trading in the ordinary shares and debt securities of Customer A Listco (being the parent company of Customer A) listed on the Stock Exchange has been suspended. According to a subsequent announcement in May 2017, it was reported that there were uncertainties relating to going concern of Customer A Listco. For further details, please refer to the section headed “Business – Customers – Trade Receivables and Retention Receivables from Customer A” in this prospectus.

In the event that we are unable to collect a substantial portion of our trade and other receivables or we are unable to collect our trade and other receivables within the payment terms, our cash flows and financial positions will be adversely affected.

**Our revenue is mainly derived from projects which are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses**

Our revenue is typically derived from projects which are non-recurrent in nature. During the Track Record Period, we secured new businesses mainly through direct invitation for quotation or tender by customers. Save as our emergency repair services which are in general provided for a term contract basis, we generally do not enter into long-term agreements with our customers and our customers are therefore under no obligation to award projects to us. As such, there is no guarantee that we will be able to secure new businesses from customers after completion of the existing awarded projects. Accordingly, the number and scale of projects and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

**We determine our quotation or tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our financial results**

We need to estimate the time and costs involved in a project in order to determine our quotation or tender price. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of our projects. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key project management personnel involved, non-performance by our subcontractors, unexpected significant increase in costs of construction materials agreed to be borne by us, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group’s financial condition, profitability and liquidity. In the

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## RISK FACTORS

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event that our Group fails to secure new contracts or there is a significant decrease in the number of tender invitations or contracts available for bidding in the future, the business and financial positions and prospects of our Group could be materially and adversely affected.

**Inability to obtain and/or renew registration or comply with requirements or changes in relevant rules and regulations governing the building and ancillary industry in Macau could materially affect our Group's business, operations and financial performance**

Our Group has to be registered with DSSOPT in order to carry out building and ancillary service in Macau. Please refer to the section headed "Regulatory Overview" in this prospectus for further details. In the event our Group fails to obtain and/or renew the registration for our Group's building and ancillary business, our Group's operations and financial performance may be adversely impacted. Further, in the event that there are any material changes in the existing regulatory regime that governs the building and ancillary industry in Macau, our Group may incur additional costs in complying with the new requirements or may not be able to meet such requirements at all, which may result in regulatory non-compliances and in turn materially and adversely affect our Group's business and operations.

**Our Group is dependent on key personnel and there is no assurance that our Group can retain them**

Our Directors believe that our success, to a large extent, is attributable to, among other things, the contribution of Mr. Kong, being our Chairman and an executive Director, and our senior management team. Details of their expertise and experience are set out in the section headed "Directors, Senior Management and Staff" in this prospectus.

Our key personnel as well as their management experience in the construction industry in Macau are crucial to our operation and financial performance. Although we have entered into a service agreement with each of our executive Directors and senior management, there could be an adverse impact on our operation should any of our executive Directors and senior management terminate his/her service agreement with us or otherwise cease to serve our Group and appropriate persons could not be found to replace them. There is no assurance that we will be able to attract and retain capable staff in the future.

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

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

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### **We may be liable for any defects in our projects**

We typically provide a defect liability period ranging from one to two years for our building and ancillary projects following the completion of the projects, and from six months to two years for emergency repair projects following the expiry of the contract term. If any aspects of the projects completed by our Group are found to be defective or sub-standard during the defect liability period, our Group would be responsible to rectify the defects. If our Group is required to rectify defects during the defect liability period which might result in substantial costs being borne by our Group, the profitability of the relevant project will be reduced.

### **Unsatisfactory performance by our subcontractors or unavailability of subcontractors may adversely affect our operation and profitability**

We may subcontract some of our works to other subcontractors in our ordinary course of business. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, subcontracting charges incurred by us amounted to approximately MOP106.4 million, MOP83.6 million, MOP86.0 million and MOP33.0 million respectively. We evaluate subcontractors by taking into account, among other things, their recent service quality, track records, skills and technique, prevailing market price, competitiveness of pricing, delivery schedule, ability to meet our specifications and requirements, and reputation. However, there is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own labours. Outsourcing exposes us to the risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may incur additional costs or be subject to liability under the relevant contracts between us and our customers for our subcontractors' unsatisfactory performance. Such events could impact upon our profitability, financial performance and reputation.

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

### **We are exposed to certain inherent risks relating to underground works**

It is not unusual to encounter difficult or dangerous conditions at the underground level or at the works site, such as artificial underground obstruction, relic, bomb, contaminated soil, presence of unknown obstacles due to historical use of site, fire hazard, flooding risk (including storm surge effect), collapse of temporary structure, land subsidence, which may not have been anticipated at the preliminary stage. Such difficult or dangerous conditions at the underground level or at the works site may make our underground works difficult, affect our work progress, incur higher project expenses and result in personal injuries or even fatality of our site workers. Furthermore, services utilities, such as water mains and electric cables, are generally laid underground in Macau. There is no assurance that damage to those utilities will not occur during

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our excavation works. Accordingly, we may be liable to the costs for the repair of such damaged services utilities. In the event that we have committed to a fixed sum contract and that no adjustment to the contract sum could be agreed with our customers, we may have to bear such increased expenses ourselves and our profitability would be adversely affected.

**Our profitability may be affected by the potential increase in depreciation expenses and staff costs upon our planned acquisition of additional machinery and our planned recruitment of additional staff**

It is one of our business strategies to acquire additional machinery and equipment by utilising a portion of net proceeds from the Share Offer so as to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing different types of construction works as well as our ability to cater for different needs and requirements of different customers. Please refer to the section headed “Business – Business Strategies” in this prospectus for details of the types of machinery and equipment to be purchased. Please also refer to the section headed “Business – Machinery” in this prospectus for details of our existing machinery.

Assuming the additional machinery to be acquired under our future plan is all acquired at the same time, it is expected that additional annual depreciation of MOP2.9 million will be charged to our profit or loss account and may therefore affect our financial performance and operating results.

Based on the accounting policies adopted by our Group, depreciation on machinery is calculated using the straight-line method. Therefore, based on the intended timing of deployment of the proceeds for purchasing machinery and equipment and taking into account our existing machinery and equipment, it is estimated that depreciation expenses on our plant and machinery in total of approximately MOP2.7 million and MOP3.4 million will be incurred for FY2017 and FY2018 respectively.

In addition to the acquisition of additional machinery, our business strategies also include the recruitment of additional staff by utilising a portion of net proceeds from the Share Offer so as to cope with our business development. Based on the intended timing of deployment of the proceeds for recruitment of additional staff, it is estimated that additional staff costs of nil and approximately MOP3.3 million will be incurred for FY2017 and FY2018 respectively.

Our planned investments in machinery and equipment and labour resources will increase our fixed costs (including depreciation expenses and staff costs) but there is no assurance that there will be a satisfactory increase in our operational and financial performance as a result. Should we be unable to obtain more projects and increase our profitability after such planned investments, our business and financial positions and prospect may be adversely affected.



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### **Our Group is liable to pay the amount of tax undercharged and may be subject to penalty or surcharge imposed by the Macau Government**

As discussed in the section headed “Financial Information – Tax Liabilities” in this prospectus, there were understatements in the profits reported in the tax return filed by our Group during the Track Record Period due to accounting adjustments made following our adoption of HKFRS for the purpose of the Listing. The resulted tax undercharged were approximately MOP1.4 million and MOP0.6 million for FY2014 and FY2015 respectively. As our tax return filing for the year of assessment 2016 is currently under review by the Financial Services Bureau, the actual income tax liabilities of our Group for the same assessment year is still subject to assessment and computation by the Financial Services Bureau. Our Controlling Shareholders have agreed to indemnify us in respect of any further tax liability and/or the resulting penalty or surcharge as assessed by the Macau Government in relation to the tax undercharged for FY2014, FY2015 and FY2016 for which our Group may be liable. For details in relation to the indemnity, please refer to the section headed “E. Other Information – 1. Tax and Other Indemnities” in Appendix IV to this prospectus. In the event that our Controlling Shareholders fail to repay our Group for any further tax liability in relation to the income tax undercharged and/or the resulting penalty or surcharge, the financial performance of our Group may be adversely affected.

### **Our business is labour intensive and we may not be able to secure a stable supply of labour at affordable wages**

Construction industry in Macau is labour intensive. There is a constant shortage of local construction workers with appropriate skills in Macau. We rely on foreign workers to carry out parts of our projects. We are subject to labour quota restrictions in relation to foreign workers imposed by the Macau Government and we may encounter difficulty in obtaining or renewing the necessary working permits and documents for our foreign staff and workers.

During the Track Record Period, we had not encountered any difficulties in recruiting labour to work for our projects. However, there is no assurance we will be able to secure a stable supply of labour at affordable wages. Should we fail to recruit appropriate skilled workers in Macau or should there be any shortage of labour or significant increase in our labour costs, we may not be able to complete our projects within budget and in a timely manner, and as a result, our business, financial conditions and results of operations may be adversely affected.

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### **We face liquidity risk in relation to working capital requirements associated with undertaking contract works and possible failure by customers to make timely or full payments**

When undertaking contract works, there are often time lags between making payments to our suppliers and/or subcontractors and receiving payments from our customers, resulting in possible cash flow mismatch. If we choose to pay our suppliers and/or subcontractors 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 or subcontractors for our business in the future. On the other hand, after we apply for payment from our customers, there is generally an examination 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.

Some of our customers may also require us to provide performance guarantees issued by banks in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further information, please refer to the section headed “Business – Customers – Salient Terms of Engagement” in this prospectus.

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

### **Our Group may not be able to maintain or increase its success rate in obtaining projects tendered and quoted and our variation orders may decrease in the future**

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our Group’s tender and quotation success rate on building and ancillary projects was approximately 49.5%, 44.7%, 55.9% and 28.9% respectively.

There are a number of factors in determining the success rate on project tendering and quotation, such as the number of invitations for tender or quotation in each year and the tenders submitted by our Group’s competitors in each project. As the contracts awarded are on a project-by-project basis, our Group is required to submit a new tender or quotation to the same customer for each new project. There is a risk that our Group may not be awarded with new contracts by our customers upon the expiry of the existing contracts and there is no assurance that our Group will be able to maintain or increase our success rate in obtaining projects tendered and quoted in the future. In the event that our Group is unable to maintain or increase our success rate on project tendering and quotation, our Group’s revenue and business operations may be materially and adversely affected.

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## RISK FACTORS

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For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our revenue attributable to variation orders amounted to approximately MOP43.3 million, MOP81.1 million, MOP67.9 million and MOP3.2 million, respectively, representing approximately 20.9%, 46.7%, 38.6% and 4.1% of our total revenue, respectively. There is no assurance that we will continue to obtain variation orders from our customers in the future. If there is a significant decrease in variation orders awarded by our customers, our financial condition and operating results would be materially and adversely affected.

**We may be liable to pay liquidated damages if we fail to meet the completion schedule requirements specified in the works contracts undertaken by us and mismanagement or delay of our Group's projects will materially affect our reputation and financial performance**

Some of our contracts include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts. Liquidated damages are typically calculated on the basis of a fixed sum per day and/or according to certain damages calculating mechanism as stipulated under the contract on a daily basis. Any failure to meet the time schedule requirements specified in the contracts may result in our Group being liable to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse impact on our business, financial condition, reputation and prospect.

Our Group's revenue derived from building and ancillary projects is recognised based on the percentage of completion of each project at the relevant time, and billings are based on monthly progress claims. Mismanagement or delay in a project will therefore affect our Group's billings, revenue, operational cash flows and financial performance. A delay or cancellation of projects could also result in idle or excess manpower resources if replacement projects cannot be secured on a timely basis.

Delay in the project can be caused by various factors, such as shortage of manpower and materials, and other factors that are beyond our Group's control. In addition, there may be a lapse of time between the completion of existing projects and the commencement of subsequent projects which may adversely affect our Group's financial performance and financial position. If the delay is caused by our Group, it may be liable to pay liquidated damages to our Group's contracting parties as stipulated in the contracts and our Group's reputation and future business opportunities may be materially affected.

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### **Failure to comply with safety measures and procedures on worksites may lead to accidents and hence occurrence of personal injuries, property damage or fatal accidents**

Due to the nature of our Group's business, we cannot guarantee that third parties or workers at the worksites will comply with the safety measures and procedures during the execution of works. During the Track Record Period, there were ten accidents occurred in relation to workers employed by our Group and details of which are set out in the section headed "Business – Occupational Health and Safety" in this prospectus. Accidents or mishaps may occur at the worksites even though our Group has put in place certain safety measures. Any non-compliance with safety measures may result in occurrences of serious personal injuries, property damage or fatal accidents, which may lead to interruption of our Group's operations and adversely affect our Group's financial conditions and results of operations to the extent that these mishaps are not covered by insurance policies.

There can be no assurance that there will not be any violations of rules, laws or regulations or breach of safety measures and procedures imposed by our Group on the part of the subcontractors. In the event that our Group's subcontractors fail to implement safety measures at the worksites and personal injuries, property damage or fatal accidents occur, litigation may arise which will adversely affect our Group's reputation and financial position.

### **Our Group's insurance coverage may not be sufficient to cover all losses or potential claims which could affect our Group's business and results of operations**

In projects where our Group acts as main contractor, our Group is generally responsible for taking out all necessary insurances for itself and its subcontractors such as employees' compensation, contractors all risk insurance and third party liability insurance. There is no assurance that the current levels of insurance maintained by our Group are sufficient to cover all potential risks and losses. The coverage may not be sufficient and our Group may still be liable for losses or potential claims which are not insured adequately or at all. Should any significant property damage or personal injury occur in the worksites or to the employees due to accidents, natural disasters, or similar events which are not wholly or sufficiently covered by insurance, our Group's business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

In addition, the insurers will review the policies from time to time and there is no guarantee that our Group can renew the policies on similar or other acceptable terms or at all. If our Group incurs unexpected losses or losses that far exceed the policy limits, our Group's business, financial position, results of operations and prospects may be materially and adversely affected.

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## RISK FACTORS

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**We recorded net cash outflow in operating activities for the five months ended 31 May 2017 which may be recurrent in the future and we are exposed to interest rate risks which may affect our cash flows**

We recorded net cash outflow in operating activities of approximately MOP8.7 million for the five months ended 31 May 2017, which was mainly attributable to the increase in trade receivables of approximately MOP4.1 million for the five months ended 31 May 2017 as compared to the decrease in trade receivables of approximately MOP10.8 million for the five months ended 31 May 2016. The change was mainly because the client mix varied during the five months ended 31 May 2017. We may face the same net cash outflow in operating activities in the future. Furthermore, there is no guarantee that our Group may be able to receive our trade and retention receivables from Customer A. For details, please refer to the section headed “Business – Customers – Trade Receivables and Retention Receivables from Customer A” in this prospectus.

Our Directors believe that in the long term, our operation will be funded by cash generated from our operations as well as other external equity or debt financing. In the event that we are unable to generate positive operating cash flow, we may be required to obtain sufficient external financing to meet our financial needs and obligations and such financing activities may increase our finance costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. As a result, our business, financial condition and results of operations may be materially adversely affected. We cannot assure that we will not experience another period of negative cash flow from our Group’s operating activities in the future.

As at 31 May 2017, our Group had bank borrowings amounting to approximately MOP4.2 million, which bore interest at 6.25% per annum respectively. Our Group has not hedged against interest rate risks. Should there be an increase in interest rate, our interest expenses may increase and our cash flows and profitability may be adversely affected.

**Our 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 machinery and our manpower in order to cope with the expected increase in demand for our 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.

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**We may be a party to legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business. In particular, there may be potential litigations against us in relation to personal injury claims**

We may be liable to claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our works from time to time. Such claims may include in particular personal injury claims in relation to personal injuries suffered by workers as a result of accidents arising out of and in the course of employment of the injured workers. We had five concluded cases against our Group during the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed “Business – Litigation and Claims” of this prospectus for further information.

Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Legal proceedings can be time-consuming, expensive, and may divert our management’s attention away from the operation of our business. If the aforesaid claims were successfully made against our Group, it may result in the incurring of legal liabilities and costs, which in turn could adversely affect our revenue, results of operation and financial position.

Due to the nature of our business, we may become involved in claims, legal proceedings and investigations relating to, among other things, contractual disputes with customers or subcontractors, labour disputes, employees’ compensation, and safety, environmental or other legal requirements. Any claims or legal proceedings to which we may become a party in the future may have a material and adverse impact on our business.

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

**Our Group’s business is highly competitive as the entry barriers of the building and ancillary services business in Macau is low**

According to the Frost & Sullivan Report, the entry barriers of the building and ancillary services industry in Macau are (i) high initial capital requirement; (ii) the established relationship with clients and contractors; and (iii) industry know-how and experience. New participants may enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and requisite registrations granted by the relevant regulatory bodies. Our Group may face competition from other existing and/or new contractors in the tender or quotation process for building and ancillary services contracts. Failure to compete effectively or maintain our Group’s competitiveness may result in lower operating margins and loss of market share, resulting in an adverse impact on our Group’s profitability and operating results.

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## **RISK FACTORS**

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### **The economy of Macau may adversely affect the market condition and trends in the construction industry in Macau and in turn affect our performance and financial condition**

Our performance and financial condition is dependent on the state of the economy in Macau. For the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, approximately 96.7%, 68.2%, 86.4% and 91.7% of our revenue from building and ancillary services were derived from projects in relation to hotel and casino resort developments in Macau, all of our revenue was generated in Macau.

The future growth and level of profitability of the construction industry in Macau are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, for example, the Macau Government's spending patterns on the construction industry in Macau, the investment of property developers and land owners, the general conditions and prospects of Macau's economy, cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector.

Furthermore, the economy of Macau substantially relies on its gaming industry, which can be affected by various factors, including policies and measures adopted by the PRC and Macau governments. In recent years, the gaming industry experienced slowdown primarily due to the anti-corruption measures adopted by the PRC Government.

As a result, there is no assurance that the number of construction projects in Macau will maintain at a desired level or continue the rising trend in the future. In case of a drop of construction activities in any circumstances, our business and results of operations will probably be adversely affected. In the event that the downturn in the economy of Macau continues or takes a turn for the worse, which may be due to a recurrence of recession in Macau, deflation or any changes in Macau's currency policy, or a decrease in the demand for building and ancillary works in Macau, our financial position and results of operations may be materially and adversely affected.

### **RISKS RELATING TO MACAU**

Conducting business in Macau involves certain political risks not typically associated with investments in companies based and operated mainly in Hong Kong, such as risks relating to changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In addition, our Group's operations in Macau are exposed to the risk of changes in laws and policies that govern operations of Macau based companies. In the event that there is a downturn in the economy of Macau or there are changes in laws and policies governing our Group's business, our Group's business operation and hence financial results and financial position may be severely affected.

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### **RISKS RELATING TO THE SHARE OFFER**

#### **Investors will experience immediate dilution**

Because the Offer Price of our Shares is higher than the combined net tangible assets per Share immediately prior to the Share Offer, subscribers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to approximately MOP0.17 per Share and MOP0.21 per Share respectively, based on the Offer Price range of HK\$0.4 per Offer Share and HK\$0.6 per Offer Share.

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

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, 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 revenues, earnings and cash flows, acquisitions made by our Group or our competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation or fluctuations in the market prices for the services provided or supplies required by our Group, the liquidity of the market for the Shares, and the general market sentiment regarding the construction industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price or at all.

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

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

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



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

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

### **The Bookrunner is entitled to terminate the Underwriting Agreements**

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

### **Investors 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 the Articles, 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. A summary of the Cayman Islands company law on protection of minorities is set out in the section headed “Cayman Islands Company Law – Protection of Minorities and Shareholders’ Suits” in Appendix III to this prospectus.

### **Future issues, offers or sales of Shares may adversely affect the prevailing market price of the Shares**

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issue or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

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

Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options on the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may adversely affect our Group's results of operation. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. For a summary of the terms of the Share Option Scheme, please see the section headed "D. Share Option Scheme" in Appendix IV to this prospectus.

### **There can be no assurance that we will declare or distribute any dividend in the future**

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

## **RISKS RELATING TO THIS PROSPECTUS**

### **Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon**

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by Macau Government departments or Independent Third Parties. In addition, certain information and statistics set forth in that section have been extracted from a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Macau.

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### **Our Group's future results could differ materially from those expressed or implied by the forward-looking statements**

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking Statements" in this prospectus.

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

Prior to the publication of this prospectus, there may be press or other media which contains information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Bookrunner, the Lead Manager and the Underwriters, or the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "Professional Parties") involved in the Share Offer 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 and liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

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

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

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

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

### **INFORMATION ABOUT THE SHARE OFFER**

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

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

### **FULLY UNDERWRITTEN**

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 25,000,000 Shares under the Public Offer (subject to reallocation) and 225,000,000 Shares under the Placing comprising 175,000,000 New Shares and 50,000,000 Sale Shares (subject to reallocation) in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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The Share Offer is sponsored by the Sponsor, lead managed by the Lead Manager and is fully underwritten by the Underwriters subject to the Offer Price being agreed on or before the Price Determination Date, as referred to in the section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus.

### DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by agreement between us (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (for itself and on behalf of the Underwriters) on or around Wednesday, 6 December 2017. The Offer Price will be not more than HK\$0.6 per Offer Share and is currently expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.6 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.6 per Offer Share.

The Bookrunner (acting for itself and on behalf of the Underwriters) may, with consent of our Company (for ourselves and on behalf of the Selling Shareholder), reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.kinpang.com.mo](http://www.kinpang.com.mo), not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (acting for itself and on behalf of the Underwriters) on or before the Price Determination Date or such later date as may be agreed by our Company and (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

### RESTRICTIONS ON OFFER OF THE OFFER SHARES

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

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

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Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in PRC or U.S., except in compliance with the relevant laws and regulations of each of such jurisdiction.

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

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

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

### **SELLING SHAREHOLDER**

One of the Controlling Shareholders, Fortunate Year, is expected to sell 50,000,000 Sale Shares under the Placing. Please refer to the details in the section headed “E. Other Information – 12. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

### **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 Share Offer (including the additional Shares which may be issued pursuant to the Capitalisation Issue and exercise of the options that 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.

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

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

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands. All Offer Shares will be registered on our Hong Kong branch share register of members to be maintained by Tricor Investor Services Limited which may be traded on the Stock Exchange. Dealings in Shares registered in our Hong Kong branch register of members will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please seek professional tax advice.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares, you should consult an expert.

None of our Company, the Selling Shareholder, the Sponsor, the Lead Manager, the Bookrunner, the Underwriters, their respective directors, agents or advisors and every other person involved in the Share Offer accept responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, or dealing in or exercise of any rights in relation to the Offer Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for application for Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE SHARE OFFER**

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

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

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### **TRADING AND SETTLEMENT**

Dealings in the Shares are expected to commence on Friday, 15 December 2017. Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 1722.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or 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.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this English prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### **EXCHANGE RATES CONVERSION**

For exchange rates translations throughout this prospectus (if any), we make no representations and none should be construed as being made, that any of the Hong Kong dollar or U.S. dollar or Macau Pataca amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

### **ROUNDING**

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.



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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

### MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in Macau, we do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rule 8.12 of the Listing Rules. All of our executive Directors are Macau residents and have to spend most of their time looking after the principal businesses and operations of our Group in Macau. For the purposes of the management and operation of our Group, appointment of additional executive Directors to establish management presence in Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness of the Board in making decisions for our Group, especially when business decisions are required to be made within a short period of time. Our Directors believe that it would be practically difficult and commercially infeasible for our Company to appoint Hong Kong residents as executive Directors or to relocate our Company's executive Directors who are resident in Macau to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

Our Company has made arrangements to maintain regular and effective communication between the Stock Exchange and us as follows:

- our Company has appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Kong, an executive Director and Mr. Fan Cheuk Lun, the company secretary of our Company, who will act as our Company's principal channel of communication with the Stock Exchange. Mr. Fan Cheuk Lun is ordinarily resident in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of our authorised representatives is authorised by our Board to communicate on behalf of our Company with the Stock Exchange;
- both our authorised representatives have means to contact all members of our Board, including our independent non-executive Directors promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, our authorised representatives, Directors and Company will implement a number of policies whereby (i) each executive Director and independent non-executive Director shall provide his/her mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to our authorised representatives; (ii) in the event that any executive Director or independent non-executive Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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accommodation to our authorised representatives; and (iii) all our executive Directors and independent non-executive Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;

- if the circumstances require, meetings of our Board can be summoned and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue which the Stock Exchange is concerned in a timely manner;
- in compliance with Rules 3A.19 of the Listing Rules, our Company has appointed Red Sun Capital Limited as our Company's compliance adviser for a period from the Listing Date to the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to our two authorised representatives, as our Company's additional channel of communication with the Stock Exchange;
- our Company will ensure that during the engagement period of the compliance adviser, the compliance adviser has access at all times promptly to our authorised representatives, Directors and other senior officers who will provide to the compliance adviser such information and assistance as the compliance adviser may reasonably require in connection with the performance of the compliance adviser's duties;
- during the engagement period of the compliance adviser, in the case of resignation by, or termination of, the compliance adviser, our Company undertakes to appoint a replacement compliance adviser within three months from the effective date of such resignation or termination (as the case may be) pursuant to Rule 3A.27 of the Listing Rules;
- meetings between the Stock Exchange and our Directors can be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in our authorised representatives or the compliance adviser;
- our Company will also appoint other professional advisers (including its legal advisers in Hong Kong), if necessary, after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
- all of our Directors have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Kong Kin I (龔健兒先生)	Avenida Do Coronel Mesquita, 24 Edifício Sunny View Garden 22-Andar-B Macau	Chinese
Ms. Choi Fong Lan (徐鳳蘭女士)	Avenida Do Coronel Mesquita, 24 Edifício Sunny View Garden 22-Andar-B Macau	Chinese
<i>Independent non-executive Directors</i>		
Mr. Cheung Wai Lun Jacky (張偉倫先生)	Flat C, 30/F, Tower 1 The Coronation No.1 Yau Cheung Road Yau Ma Tei Kowloon Hong Kong	Chinese
Mr. Cheung Kin Wing (張建榮先生)	Flat D, 20/F 1 Humbert Street Meifoo Sun Chuen Kowloon Hong Kong	British
Mr. Zhao Zhipeng (趙志鵬先生)	Flat C, 21/F No 3 Wing Fong Road Kwai Chung New Territories Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Staff” of this prospectus for further details.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED

#### Sponsor

##### **Red Sun Capital Limited**

*A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities*

Room 3303, 33/F West Tower

Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan

Hong Kong

#### Bookrunner and Lead Manager

##### **Astrum Capital Management Limited**

*A licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities*

Room 2704, Tower 1

Admiralty Centre

18 Harcourt Road

Admiralty

Hong Kong

#### Legal advisers to our Company

*as to Hong Kong Law*

##### **Stevenson, Wong & Co.**

*Solicitors, Hong Kong*

39th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Hong Kong

*as to Macau Law*

##### **Chio Tak Wo, Advogado**

*Macau lawyer*

Avenida do Dr. Rodrigo Rodrigues

Nº 600E, Edifício Centro Comercial First Nacional

21º Andar, Apt. 2106-2107

Macau

*as to Cayman Islands Law*

##### **Conyers Dill & Pearman**

*Legal advisers as to Cayman Islands law*

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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<b>Legal advisers to the Sponsor and the Underwriters</b>	<p><i>as to Hong Kong Law</i> <b>David Fong &amp; Co.</b> <i>Solicitors, Hong Kong</i> Unit A, 12/F China Overseas Building 139 Hennessy Road Wanchai Hong Kong</p> <p><i>as to Macau Law</i> <b>FCLaw Lawyers &amp; Private Notaries</b> <i>Macau lawyer</i> Avenida de Almeida Ribeiro n.º 61, Edifício Circle Square 13º, B-E Macau</p>
<b>Auditors and reporting accountants</b>	<p><b>Deloitte Touche Tohmatsu</b> <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong</p>
<b>Industry consultant</b>	<p><b>Frost &amp; Sullivan Limited</b> 1706, One Exchange Square 8 Connaught Place Central, Hong Kong</p>
<b>Compliance adviser</b>	<p><b>Red Sun Capital Limited</b> <i>A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities</i> Room 3303, 33/F West Tower Shun Tak Centre 168-200 Connaught Road Central Sheung Wan Hong Kong</p>
<b>Receiving bank</b>	<p><b>Bank of China (Hong Kong) Limited</b> 1 Garden Road Hong Kong</p>

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters in Macau</b>	L17 Pak Tak (China Civil Plaza) No. 249-263 Alameda Dr. Carlos d'Assumpção Macau
<b>Principal place of business in Hong Kong</b>	Office No.5, 20/F Nam Wo Hong Building 148 Wing Lok Street Hong Kong
<b>Company's website</b>	<b><a href="http://www.kinpang.com.mo">www.kinpang.com.mo</a></b> <i>(information on the website does not form part of this prospectus)</i>
<b>Company secretary</b>	<b>Mr. Fan Cheuk Lun</b> <i>Member of the Hong Kong Institute of Chartered Secretaries</i> Rm 3110, On Shing Court 50 Tin Ping Road Sheung Shui New Territories Hong Kong
<b>Authorised representatives</b>	<b>Mr. Kong Kin I</b> Avn Do Coronel Mesquita, 24 Edf. Sunny View Garden, 22-Andar-B, Macau  <b>Mr. Fan Cheuk Lun</b> <i>Member of the Hong Kong Institute of Chartered Secretaries</i> Rm 3110, On Shing Court 50 Tin Ping Road Sheung Shui New Territories Hong Kong

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## CORPORATE INFORMATION

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<b>Audit committee</b>	Mr. Cheung Kin Wing (張建榮先生) ( <i>Chairman</i> ) Mr. Cheung Wai Lun Jacky (張偉倫先生) Mr. Zhao Zhipeng (趙志鵬先生)
<b>Remuneration committee</b>	Mr. Cheung Kin Wing (張建榮先生) ( <i>Chairman</i> ) Mr. Cheung Wai Lun Jacky (張偉倫先生) Mr. Kong Kin I (龔健兒先生)
<b>Nomination committee</b>	Mr. Kong Kin I (龔健兒先生) ( <i>Chairman</i> ) Mr. Cheung Wai Lun Jacky (張偉倫先生) Mr. Zhao Zhipeng (趙志鵬先生)
<b>Cayman Islands principal share registrar and transfer office</b>	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong Branch Share Registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bank</b>	<b>Bank of China Macau Branch</b> Bank of China Building Avenida Doutor Mario Soares Macau

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## INDUSTRY OVERVIEW

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*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by the industry consultant, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholder, the Sponsor, the Lead Manager, the Underwriters, or any of our or their respective directors, officers or representatives involved in the Share Offer. Accordingly, such information or statistics should not be relied upon in making, or refraining from making, any investment decision.*

### REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Macau Construction industry for the period from 2012 to 2021. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK\$480,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the construction and related industry and its industry consultants, on average, have more than three years of experience.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the Macau Building and Ancillary Works and Emergency Repair industry for the prospective investors. The Frost & Sullivan Report includes information on Macau construction industry as well as other economic data, which have been quoted in the prospectus.

Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Macau construction industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.



## INDUSTRY OVERVIEW

### ASSUMPTIONS USED IN THE FROST & SULLIVAN REPORT

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions:

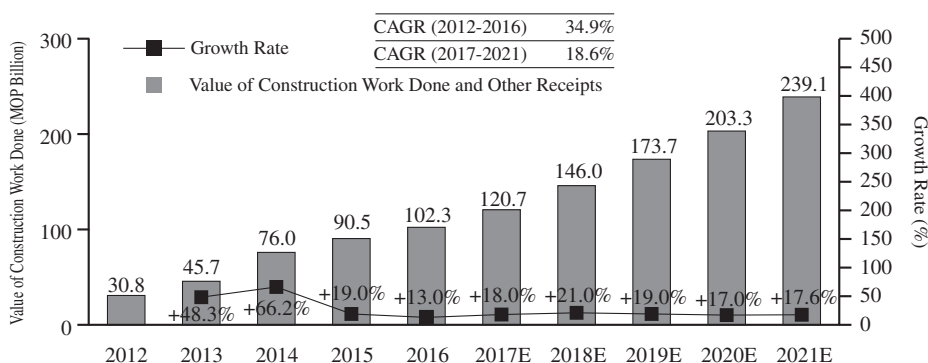
- the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Macau Construction industry;
- the Macau economy is likely to maintain stable growth in the next decade and the Macau's social, economic and political environment is likely to remain stable in the forecast period;
- the Macau Construction industry is expected to grow based on the macroeconomic assumptions of the economy; and
- additional key industry drivers include: diversification of tourism industry, impetus from construction sectors and sustained integrated resort development.

### OVERVIEW OF MACROECONOMIC ENVIRONMENT

The value of construction work done had increased drastically from MOP30.8 billion in 2012 to MOP102.3 billion in 2016, representing a CAGR of 34.9%. The surge is predominantly due to the construction of new hotels and casinos to cater the increasing number of tourists and gamblers.

The Government has announced multiple promotional campaign that tackle the problem of decreasing gamblers in Macau. It is expected that more non-gambling related properties will be developed in the coming years, including the construction of new shopping malls, commercial areas, and integrated resort. Moreover, the new urban zone development as highlighted in the Macau 2017 Policy Address (the "Policy Address") was considered as a key driver to the construction industry. It is therefore estimated that the construction market of Macau will continue to grow at a CAGR of 18.6%, reaching MOP239.1 billion in 2021.

**Macau Value of Construction Work Done and Other Receipts from 2012 to 2021**



Source: DSEC, Frost & Sullivan

### Value Chain Analysis

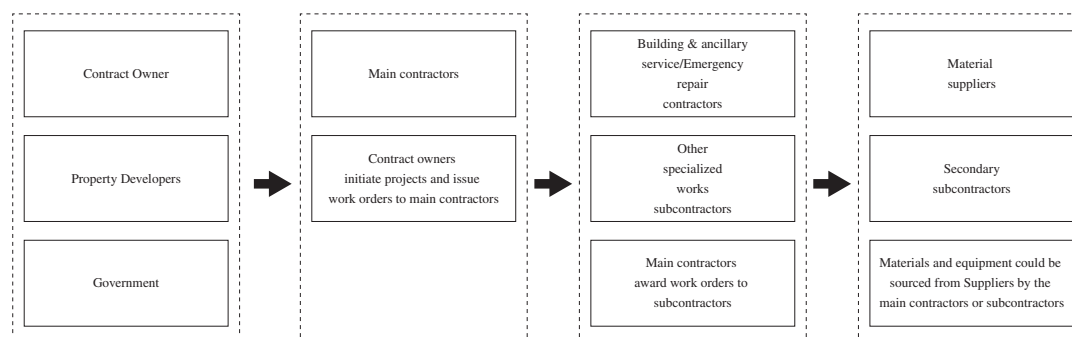
In the construction industry, the property developers and government generally tender for service providers under contracts. Contracts are entered into between the contractors, usually government or property developers, and main contractors, pursuant to which the said main contractor shall be responsible for providing services in connection with the building works, namely building & ancillary service and emergency repair, of the properties and facilities within particular district(s) and a specific timeframe in

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## INDUSTRY OVERVIEW

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accordance with the terms and conditions thereof. Sub contract is the contract entered into between the main contractor and the subcontractor, pursuant to which the said subcontractor shall be responsible for providing services in connection with the aforementioned building works.



Source: Frost & Sullivan

### Market Constraints

#### *Increasing Construction Costs*

When it comes to construction, Macau is the second costliest city in Asia following Hong Kong in 2016. The increasing amount of infrastructure and the rising demand for construction materials and human resources are factors triggering high building costs, in addition to the expansion projects of the gaming corporations. In addition, hotels and casinos are willing to pay higher to contractors in order to capture fast profit, which pushes up the construction costs. Meanwhile, the government is urging to accelerate the supply of public housing, which added pressure to construction costs.

#### *Rising Complexity of Works*

In Macau, building and ancillary services is facing higher project complexity and expectation from clients, which is attributed to the increased competition in construction sector and the repositioning of the tourism industry, such as the development of non-gaming sectors. More resources are channeled to the new development model and new sets of expertise are needed. The building and ancillary services providers might take time to adapt to the new market landscape.

#### *Shortage of Experienced Workers*

With the growth in emergency repair, imbalance between labour demand and supply in the industry is enlarging. The labour wage, therefore, is on the continuous rise. On the other hand, emergency repair is a specialist segment in the construction industry that requires years of experience, professional training and comprehensive knowledge of public utilities. The rising labour cost and limited supply of workers might slow down the development of the emergency repair industry.

#### *Cost Analysis*

The table below sets forth the prices of key raw materials, namely Aggregates, concrete, brick and steel bar in Macau construction industry during 2012 to 2016. The general increase of prices of major raw materials for building construction works from 2012 to 2016 was driven by the robust market demand in Macau from the increasing construction of infrastructure and facilities.

## INDUSTRY OVERVIEW

According to Macau Statistics and Census Service (DSEC), the prices of spiral and round reinforcing steel bar have dropped by a CAGR of 6.4% over the past five years from MOP5,742.5 per ton in 2012 to MOP4,406.3 per ton in 2016. On the other hand, the prices of raw materials such as sand, concrete and ordinary Portland cement (OPC) have risen by 18.6%, 20.5% and 4.2% respectively during the same period.

Driven by the sustained development of the construction sector in Macau, the prices of major raw materials of construction works are expected to maintain the growth from 2017 to 2021.

### Macau Price Trends of Raw Materials from 2012-2021E

	<i>MOP/</i>							<i>CAGR</i>	<i>CAGR</i>
	<i>Unit</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2021E</i>	<i>2012-2016</i>	<i>2016-2021</i>
Spiral and round reinforcing steel bar	ton	5,742.5	5,151.0	4,977.5	4,528.3	4,406.3	3,098.5	-6.4%	-6.8%
Round reinforcing steel bar	ton	6,598.0	6,775.0	6,558.3	6,391.5	6,425.0	9,885.7	-0.7%	9.0%
Sand	m <sup>3</sup>	119	135.35	154	197.5	235.49	455.4	18.6%	14.1%
Concrete	m <sup>3</sup>	444	544	666	779.3	936.70	1,665.6	20.5%	12.2%
Aggregates (gravel and crushed stone)	m <sup>3</sup>	85.6	89.0	93.8	95.3	95.3	104.2	2.7%	1.8%
Ordinary wood column	m <sup>3</sup>	2,514.5	2,565.8	2,621.5	2,604.8	2,676.5	2,785.3	1.6%	0.8%
Brick – Mainland China	100 pieces	80.1	89.5	94.5	95.0	92.0	102.6	3.5%	2.2%
Ordinary clear sheet glass	m <sup>2</sup>	90.2	93.5	95.0	92.2	92.3	95.9	0.6%	0.8%
Toughened glass	m <sup>2</sup>	282.3	284.3	288.0	85.8	289.0	276.5	0.6%	-0.9%
Emulsion paint	litre	26.7	27.7	28.4	29.7	30.2	33.5	3.1%	2.1%
Galvanized steel pipe (grade B) (Length: 6m Diameter: 13mm)	unit	75.9	76.3	76.5	78.8	80.3	83.6	1.4%	0.8%
Galvanized steel pipe (grade B) (Length: 6m Diameter: 19mm)	unit	98.8	99.9	100.0	101.8	103.0	107.0	1.0%	0.8%
Portland cement (ordinary) – Macau	ton	730.8	755.3	816.0	858.8	861.8	1,003.9	4.2%	3.1%

*Source: DSEC, Frost & Sullivan*

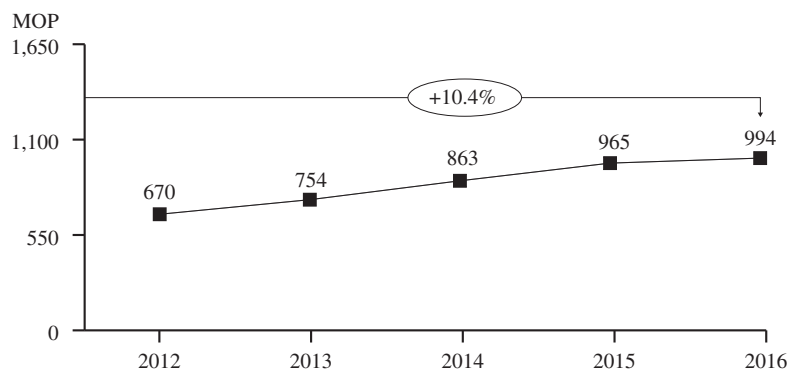
According to Macau Statistics and Census Service (DSEC), the average daily nominal wages of construction workers in Macau increased from MOP670 in 2012 to MOP994 in 2016, growing at a CAGR of 10.4%. The rise in wages is mainly driven by the increasing construction of buildings and infrastructure, which has led to a boom in the market demand for construction workers.

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## INDUSTRY OVERVIEW

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### Macau Average Daily Nominal Wages of All Construction Workers from 2012 to 2016



Source: DSEC, Frost & Sullivan

### Entry Barriers

#### ***High Initial Capital Requirement***

Construction contractors are required to have a substantial amount of capital and labour to carry out construction works and fulfil numerous minimum capital requirements and follow government regulations. This is considered as a high entry barrier for new entrants into the industry as they tend to lack initial capital investment.

#### ***Established Relationship with Clients and Contractors***

Existing construction contractors usually have a well established relationship with their clients and also a strong partnership with other stakeholders, including raw material and machinery suppliers. Hence, companies that have established long presence with a proven track record in the local market is seen as more competitive than new entrants.

#### ***Industry Know-how and Experience***

Good reputation, past experience in construction project and client referral are highly valued by customers in the construction industry in Macau as clients tend to appoint experienced and reputable construction contractors to minimise risks and smoothen the construction process. Therefore, new entrants without a strong portfolio are unlikely to gain project deals from large clients.

## OVERVIEW OF THE MACAU BUILDING AND ANCILLARY SERVICE MARKET

### Definition and Classification

Building and ancillary services generally involve (i) foundation associated works; (ii) hard landscaping, alteration and addition works; (iii) road works; (iv) water pipe works; (v) electrical and mechanical-related works; and (vi) other ancillary building works

#### Foundation associated works

- Foundation associated works generally refer to ELS works, pile cap construction, piling works, construction of basement and other associated services, such as surveying, demolition and removal of building structures and construction of underground drainage

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## INDUSTRY OVERVIEW

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- |                                                 |                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hard landscaping, alteration and addition works | <ul style="list-style-type: none"><li>• Hard landscaping, alteration and addition works generally include (i) construction and fixing of concrete slabs, concrete bedding, plinths and walls, and steel structures in outdoor areas and subsequent coating works on the surfaces such as floor tiling, waterproofing; and (ii) interior fitting-out works</li></ul> |
| Road works                                      | <ul style="list-style-type: none"><li>• Road works includes (i) construction, improvement, demolition and modification of bases, beddings and surface layers in relation to carriageway, pedestrians pavement, footpaths and temporary site access; and (ii) installation of ancillary facilities such as road signs</li></ul>                                      |
| Water pipe works                                | <ul style="list-style-type: none"><li>• Water pipe works mainly encompasses installation, improvement, modification and maintenance of water pipes, drainage and sewers</li></ul>                                                                                                                                                                                   |
| Electrical & mechanical related Works           | <ul style="list-style-type: none"><li>• Electrical &amp; mechanical-related works refer to installation, modification and maintenance of electrical cables, pipelines, cable tray and trunking, busbar system and other electrical components</li></ul>                                                                                                             |
| Other ancillary building works                  | <ul style="list-style-type: none"><li>• Other ancillary building works refer to demolition of existing concrete structures, hoarding, structural works (such as construction of concrete structure for footbridge), and cleaning and removal of debris at the work sites</li></ul>                                                                                  |

*Source: Frost & Sullivan*

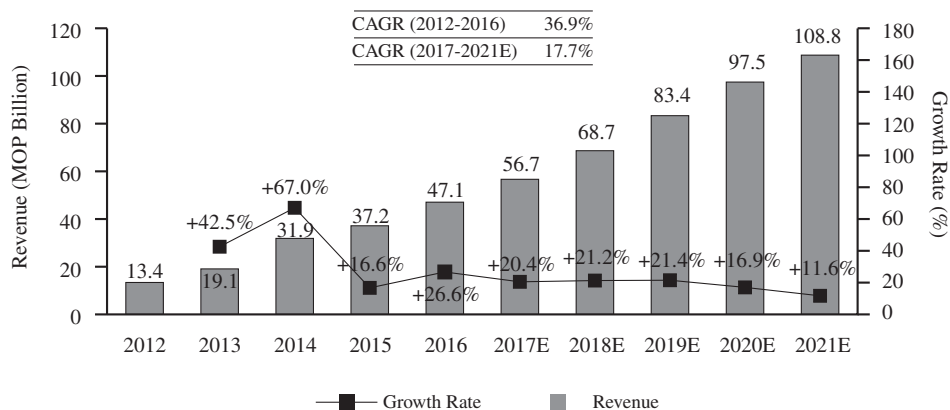
With the strong demand from major infrastructure development projects, upgrading of public facilities and surge in number of casinos and hotels constructed over the period, the market size of building and ancillary services in Macau has seen a robust growth from approximately MOP13.4 billion in 2012 to MOP47.1 billion in 2016, representing a CAGR of 36.9%.

Driven by the growing demand for building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services will continue to expand at a CAGR of 17.7% during the forecast period, reaching approximately MOP108.8 billion in 2021.

In compiling and preparing the forecasted figures of revenue of building and ancillary services in Macau, Frost & Sullivan assumed that (i) the policies in the building of integrated resort city are likely to remain stable; and (ii) major construction projects on the pipelines would be performed over the forecast period from 2017 to 2021. For the projection of total market size, Frost & Sullivan plots available historical data against macroeconomic data as well as data with respect to related industry drivers.

## INDUSTRY OVERVIEW

### Revenue of Building and Ancillary Services in Macau from 2012 to 2021



Source: Frost & Sullivan

In compiling and preparing the forecasted figures of revenue of building and ancillary services in Macau, Frost & Sullivan assumed that (i) construction projects in the pipeline would be performed, (ii) upgrade of transportation system continue to be driven by policies and (iii) policies of development of non-gambling facilities is likely to be stable over the forecast period from 2017 to 2021.

#### Policies in the building of integrated resort city

In 2016, the 13th Five Year Plan of China has further reassured positioning Macau as the World Centre of Tourism and Leisure to foster the development of Macau as a city for leisure tourism, enhance the overall development of the tourism industry, and promote new development of cultural tourism.

#### Construction projects in the pipeline

As stated in the previous reply, the construction of third and fourth phases of the Galaxy Macau resort and the construction works in pipelines ( including Wynn Everett, Aquis Great Barrier Reef Resort, Lisboa Palace, The 13, City of Dreams Fifth Hotel Tower and MGM Cotai) creates the demand for new construction works, which correlates with foundation associated works, and electrical and mechanical related works. Foundation associated works, such as ELS works, pile cap construction, piling works, construction of basement and other associated services, are required for the constructions of new buildings. Moreover, electrical & mechanical-related works, namely installation of electrical cables, pipelines, cable tray and trunking, busbar system and other electrical components, are particularly needed in the construction of casinos and hotels which place much emphasis on the building facilities. The construction projects, therefore, act as a driver to the building and ancillary works.

Project	Approximate Development area (thousand s.q. meter)	Approximate investment in total (MOP billion)	Estimated Year of Completion
MGM Cotai (美獅美高梅)	185.8	26.0	4th quarter of 2017
City of Dreams Fifth Hotel Tower (新濠天地第五棟酒店大樓)	150.0	7.8	2018
THE 13 (「十三第」酒店)	87.8	12.5	2018
Lisboa Palace (上葡京)	500.0	36.0	2018
Galaxy Macau Phase 3&4 (銀河第三及四期)	975.5	43.0	2019

Source: Frost & Sullivan

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## INDUSTRY OVERVIEW

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### **Upgrade of transportation system**

To promote the tourism industry in Macau, the regional seamless transportation is required to connect the Pearl River Delta and other inland cities in China through high speed railway networks, such as the construction of Hong Kong-Zhuhai Macau Bridge. In addition, the upgrading and maintenance of infrastructure, including road and bridge, are performed to further complete the transportation system, which is forecasted to accommodate more tourists in the near future. Road works and water pipe works, as part of the transportation upgrade projects, are expected to receive the impetus in the future.

### **Development of non-gambling facilities**

Apart from gambling, the city is being built as the world class destination that has a diversity of tourism products, accommodation options, cultural facilities, retail shops, and various events. In response to the building of integrated resort city, supportive policies are being formulated in upgrading the amenities of all cross border facilities, supporting facilities of tourist hotspots (including transport, public space and shopping areas) and other attractions. On the other hand, increasing number of casinos shift the focus to the non-gambling business, such as hotels, theme park and shopping malls, in which renovation, alteration and addition works are required. Hard landscaping, alteration and addition works are likely to enjoy from diversified development of the tourism industry in Macau.

Our Directors are of the view that our Group can benefit from the aforesaid development in the building and ancillary services market in Market because: (i) our Group has established relationship of approximately six years with Customer C (being subsidiaries of a public company listed in Hong Kong, the principal activities of which include operation of hotel and casino resorts), which is likely to contribute to higher likelihood of our Group being invited and selected to be a nominated subcontractor in its new resort development in the future; and (ii) our ability to undertake a wide spectrum of construction works (ranging from foundation associated works, hard landscaping, alteration and addition works, road works, water pipe works, electrical and mechanical works and other ancillary building works) has enhanced our exposure to different construction projects of varying scale and job nature.

### **Market Drivers**

#### ***Redevelopment of Gambling and Tourism Industry***

Coupled with diversified development in tourism and leisure, non-gambling development acts as the driver to the construction market in Macau. As set out in the Tourism Industry Development Master Plan Consultation Paper in 2016, Macau is positioned as the World Centre of Tourism and Leisure to diversify the overall development of the tourism industry and promote new development of cultural tourism. The redevelopment plan is forecasted to increase renovation, demolition, alteration and addition, as well as hard landscaping works of the existing integrated resorts, such as hotels, casinos and shopping malls. New designs are being applied in the construction projects, mainly in commercial sectors, to shift the focus to non-gambling-centric tourism.

#### ***Upgrading of Public Amenities and Infrastructure***

With the rapid growth of tourism, Macau's infrastructure has failed to keep pace with the development to become the world's tourism center, exerting pressure on creaking transport systems and creating bottlenecks. In addition, the demand for public amenities in Macau is on the rise. Apart from the Hong Kong-Zhuhai-Macau Bridge, the government has been launching policies to upgrade the public amenities and infrastructure, thereby creating the huge demand for projects in relation to the roads and water pipes.

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## INDUSTRY OVERVIEW

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### ***Supportive Policies in New Construction Works***

The construction market is likely to benefit from the Macau 2017 Policy Address, which outlines public development plans including construction of healthcare facilities and new Macau Central Library. The Policy Address also highlights the supply of approximately 12,600 public housing units in short-to-medium-term planning, and a long-term planning to provide around 28,000 public housing units in New Urban Zone Area A, as well as the development of 4,000 private residential flats. Furthermore, the Government continues to launch the land reclamation projects. The supportive policies in new construction will certainly boost the demand for construction works and the needs for building & ancillary services in the new construction of buildings and facilities.

### **Market Trends**

#### ***Environmental Friendly Application in Construction***

The rising awareness of environmental protection is reshaping the building infrastructure and approach of construction. The environment assessment and waste management for building and ancillary services is on the rise. Specifically, more recycled materials and precast materials are used in the construction projects. In addition, the Macau Government has announced the measures in the Policy Address to improve environmental assessment work, including the public consultation of existing assessment system for construction projects and amendment of project categories that require environmental impact assessment.

#### ***Use of Specialist Contractors in Streamlined Approach***

With the rising complexity of project and client requirements, use of specialist contractors, streamlined operation is more common in large scale construction project, and building ancillary service is no exception. The systematic approach is well used in project management, from project planning, implementation to supervision and quality assurance with cooperation between main contractors and subcontractors. Based on the expertise of the contractors, the construction works, namely building ancillary services, are subcontracted from the main contractors to subcontractors, which would further enhance the capacity in project delivery.

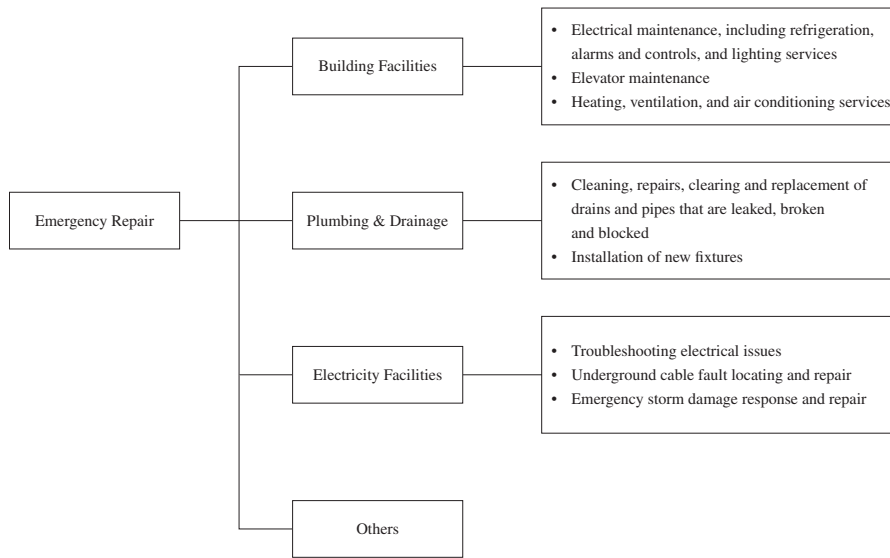
## **OVERVIEW OF THE MACAU EMERGENCY REPAIR MARKET**

### **Definition and Classification**

Emergency repair services typically refer to the provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis. The services providers are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from electricity and water utility companies. The emergency repair services generally involve repair services in relation to water pipelines and electricity networks.



## INDUSTRY OVERVIEW

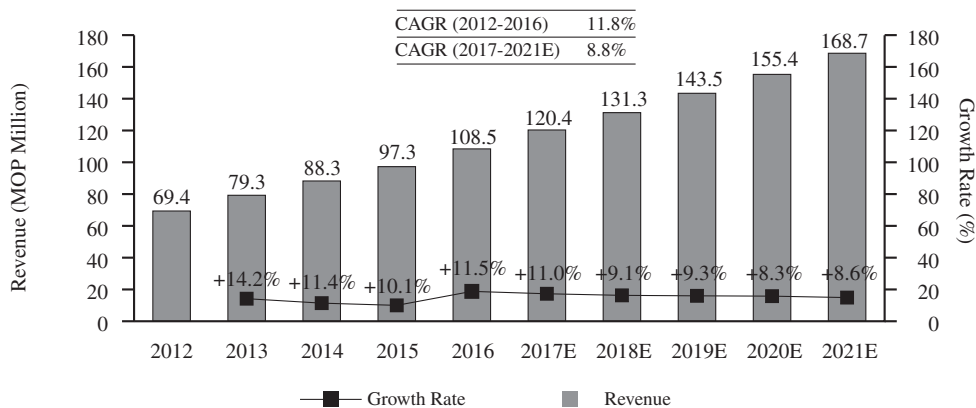


Source: Frost & Sullivan

The emergency repair market in Macau has demonstrated a substantial growth from MOP69.4 million in 2012 to MOP108.5 million in 2016, representing a CAGR of 11.8%. The strong growth in historical period was mainly attributable to the rising awareness towards emergency repair, continued upgrading of public facilities and accelerated development of construction sector.

With the healthy development of tourism industry and Smart City, it is estimated that the emergency repair market in Macau will likely to grow continuously at a CAGR of 8.8% during 2017 to 2021, reaching MOP168.7 million in 2021.

**Revenue of Emergency Repair in Macau from 2012 to 2021**



Source: Frost & Sullivan

### Market Drivers

#### ***Surging Demand Amid The Rising Awareness of Emergency Repair***

With the rising awareness towards failure of public utilities, emergency repair in building and facilities is becoming increasingly important in construction projects and top priority of urban planning. Recently, the accidents of the public facilities have come into spot light. Macau experienced the blackout in

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## INDUSTRY OVERVIEW

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2015 that hit up to one third of the Macau peninsula and paralyzed the operation of some shops, restaurants and banks. Power supplier Companhia de Electricidade de Macau (CEM) attributed the failure to the hitch of facility that transmits power imported from mainland's China Southern Power Grid. The power cut further heightens the importance of emergency repair in response to the failure of public utilities. It is forecasted the demand for emergency repair would continue to grow in the future.

### ***Accelerated Development of Construction Sector***

The construction works performed for integrated resorts in Macau registered a robust growth in recent years. The value of construction work done had increased drastically from MOP30.8 billion in 2012 to MOP102.3 billion in 2016, representing a CAGR of 34.9%. The healthy development of the overall construction industry over past few years has also led to a rapid rise in demand for public utilities in Macau, including power supply, water and telecom services. In particular, emergency repair for electricity and water facilities could enjoy the growth from the accelerated development of construction sector and expansion of the public utilities in Macau.

### ***Continued Upgrading of Public Facilities***

As set out in the draft of its Five-Year Development Plan (2016-2020), the Macau SAR Government plans to promote the development of Smart City. The key agenda includes (i) the further promotion of mobile network, feasibility study on the application of cloud computing and exploring the potential of Internet of Things (IoT), (ii) building open-source database on the operation and management of city, (iii) extension of WiFi network, (iv) upgrading of the telecommunication network mechanism for emergencies management, (v) facilitating the cooperation of mobile network operators and (vi) construction of three-dimensional city. The development of Smart City requires the investment in IT infrastructure and public utilities, in which more construction works would be performed. To ensure the smoothness of traffic flow, safety of workers and pedestrians, as well as minimizing the impact on environment, traffic controls and emergency repair are implemented to comply with the operational standards. The pace of upgrading of public facilities is expected to grow continuously, which in turn lead to an increase in demand for emergency repair.

### **Market Trends**

#### ***Rising Operational Challenges in Construction Works of Public Utilities***

The construction works of public utilities present a wide range of challenges when it comes to repair and maintenance of the water piping system, electricity and cable networks whilst minimizing disruption to the public and reducing costs. The issues confronted include schedule limitations, safety concerns and logistical constraints due to facilities operations. The complexity of construction projects is increasing with the high traffic flow and rising number of construction projects as a result of the public utilities upgrading. The rising operational challenges in construction works of public utilities elevates the entry barrier of emergency repair in relation to public utilities that better resource deployment, training of workers and advanced equipment are needed.

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## INDUSTRY OVERVIEW

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### *Use of Advanced Technology*

Building technology is becoming the indispensable part of the practice of architecture and the practical application of it is facilitating the construction process, that encompass the disciplines in building automation, fire safety, security, lighting, water supply and power distribution. The advanced technology, such management software and equipment, serves as a tool for the maintenance managers to streamline operations, assign manpower to specific sites, facilities and equipment, as well as organizing and viewing machinery, systems and facilities in an intuitive hierarchy. With the technological advancement, building technology further optimizes efficiency of emergency repair without compromising speed and safety.

### COMPETITIVE LANDSCAPE OF THE MACAU BUILDING AND ANCILLARY SERVICE MARKET

#### Competition Overview

In general, the building and ancillary service industry in Macau is quite competitive, with around 500 players in the market and the presence of Hong Kong-based players holding considerable market shares.

In the meantime, the Macau-based companies continue to focus on further strengthening positioning in the specific segments. High level of subcontracting is seen in the Macau building and ancillary service industry where the large scale projects are outsourced from the main contractors to other subcontractors, based on the skill sets required and schedule of project. The objective of the subcontracting is to optimize the resource deployment, such as, materials procurement and division of labour.

The contractors with sound reputation and established track record, diversified expertise and capabilities consistently land the projects from the integrated resort developers, which acts as the driver to the commercial segment in recent years.

Our Group contributed to 0.3% of the building and ancillary services market in Macau, with the revenue of MOP163.0 million in 2016.

#### Ranking and Market Share

The building and ancillary services market was fragmented with approximately 22.0% of aggregated market share from top three contractors in 2016.

Company A was the leading contractor in Macau building and ancillary services market with a market share with approximately 8.4% in 2016 in terms of revenue, followed by Company B (7.6%) and Company C (6.0%).

#### Ranking and Market Shares of Building and Ancillary Services Market in Macau

Rank	Brand	Estimated Revenue (MOP million)	Market Share (%)
1	Company A	3,965.4	8.4%
2	Company B	3,567.7	7.6%
3	Company C	2,825.8	6.0%
	Top three subtotal	10,358.9	22.0%
	Others	36,741.2	78.0%
	<b>Total</b>	<b>47,100.0</b>	<b>100.0%</b>

Source: Frost & Sullivan

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## INDUSTRY OVERVIEW

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*Remark:*

1. Company A is a leading international construction company and delivers a portfolio of infrastructure projects throughout Asia, including the delivery of complex tunnel, rail and road networks, as well as renewable energy infrastructure.
2. Company B is a vertically integrated construction powerhouse, engaging in building construction and civil engineering operations as well as other peripheral operations such as foundation work, site investigation, mechanical and electrical engineering, highway and bridge construction, ready-mixed concrete, pre-cast production and infrastructure investment.
3. Company C provides comprehensive construction, property and related services. Its scope of services has grown to cover the entire spectrum of building, civil engineering, electrical and mechanical engineering, project and construction management, interiors and special projects, railway systems and property development.

### COMPETITIVE LANDSCAPE OF THE MACAU EMERGENCY REPAIR MARKET

#### Competition Overview

The emergency repair market in Macau is considered as fragmented, with around 30 players in the market. The revenue of emergency repair industry experienced a positive growth from 2012 to 2016, and is estimated to keep growing at a moderate rate from 2017 to 2021.

With the increasing investment in infrastructure, public utilities are the integral part of the emergency repair industry in Macau and act as the driver to the industry. As such, government departments and electricity and water utilities companies are the key target customers of the emergency repair industry in Macau.

Macau has been developing the advanced public utilities, which comprises improving transport infrastructure, refurbishment of water pipes and managing road use. As public utilities have profound impact on people's livelihood and socio-economic development, forward-looking and timely plans are required for new facilities development and maintenance, in which the accuracy, reliability, speed and safety are highly emphasized. Stable working relationship with the public utilities operators and the government is the competitive edge to emergency repair service providers.

Our Group contributed to 12.0% of the emergency repair market in Macau, with the revenue of MOP13.0 million in 2016.

#### Ranking and Market Share

The emergency repair industry in Macau is quite fragmented, with around 30 players sharing approximately MOP108.5 million total revenue of the industry in 2016. Most companies in Macau realised revenue less than MOP10 million. The ranking of emergency repair, in terms of revenue generated, is not available due to the scattered information.

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## REGULATORY OVERVIEW

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### LAWS AND REGULATIONS

Set out below is a summary of certain aspects of the laws and regulations in Macau which are relevant to our Group's operations in Macau.

#### Macau

The general regime governing commercial corporations as well as their owners is established in accordance with the following laws:

Macau Commercial Code

Macau Commercial Registry Code

Macau Civil Code

Pursuant to Article 61 under the Macau Commercial Code, commercial registration aims to disclose the legal status of the commercial entrepreneur and the enterprise so as to protect the security of transactions that are under protection of the law. All relevant commercial registrations are carried out at Businesses and Vehicles Registry.

#### Works License

The laws directly under the legal framework in relation to construction work are established in accordance with the following laws:

Decree Law no. 79/85/M – General Construction Works Regulation

Administrative Regulation no. 24/2009 Amended “General Construction Works Regulation”

Decree Law no. 44/91/M – Regulation on Construction Safety and Hygiene

Decree Law no. 34/93/M – Applicable Legal Regime of Noise at Work

Decree Law no. 54/94/M – Rules on Prevention and Control of Ambient Noise

Decree Law no. 24/95/M – Approval of Regulation on Fire Safety

Decree Law no. 46/96/M – Regulations on Water Drainage System

Decree Law no. 47/96/M – Regulations on Land Technology (Regulations on Geotechnical Engineering)

Decree Law no. 56/96/M – Regulations on Safety and Loading of Building Structure and Bridge Structure

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## REGULATORY OVERVIEW

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Law no. 2/91/M – Base Law of Environment

Law no. 8/2014 – Regulation on Noise Control

Decree Law no. 60/96/M – Regulations on the Structure of Reinforced Concrete and Prestressed Concrete

Decree Law no. 63/96/M – Standards of Cement

Decree Law no. 64/96/M – Standards of Using Hot Rolled Bars in Reinforced Concrete

Decree Law no. 32/97/M – Regulations on Soil Retaining and Earthwork Project

Decree Law no. 42/97/M – Standards of Concrete

Law no. 1/2015 – System of qualifications on urban construction and urban planning

Decree-Law No. 79/85/M stipulates the administrative regulations of project review, filing of approval, and license issuance and inspection in conducting civil engineering. No construction of new building, reconstruction, repair, maintenance, alteration or expansion to the existing buildings, demolition of building, and any project or work resulting in topographical change shall be conducted without the approval of the Land, Public Work and Transport Bureau DSSOPT (土地工務運輸局) approval on the related project and its issuance of relevant license.

In order to conduct the aforementioned projects, interested parties shall notify the Bureau the proposed project and the expected commencement and completion dates of the construction, by filling out the specific form provided by the Bureau accompanied by the signed declaration of construction company or builder who has registered at the Bureau, and submitting other project-related documents required by the Bureau.

Upon inspecting the aforementioned documents submitted by the interested parties, the Bureau shall affix a specific seal on the form and shall send it back to the interested parties. The interested parties shall post the form conspicuously at the project site when conducting the project.

The Bureau has the authority to monitor the compliance of the aforementioned Decree-Law and its supplementary law. Only legal persons who are locally registered in Macau shall be approved of the related project plan and shall be issued project license by the Bureau. The project plan for the approval of the Bureau, or project draft and project amendment, shall be pre-signed by a technician who is registered with the Bureau. The project guidance of the approved plan shall be conducted by a qualified technician who is registered with the Bureau. The project implementation of the approved plan shall only be conducted by construction company or constructor who is registered with the Bureau. During the implementation, it is permitted to conduct specified project items according to the approved content in project plan through contract employment or outsourcing to third party.

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## REGULATORY OVERVIEW

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The accreditation of qualification to a construction company or a constructor is conducted according to the application submitted to the Bureau, accompanied with a tabulated list of all technical tools possessed and a list of completed projects.

Under clause 1, article 17 and 18 of Law No. 1/2015, only technicians at private sectors, individual entrepreneurs (natural person) and companies with at least one registered technician are allowed to register at DSSOPT for execution of duties on formation of plan, project steering or project monitoring. Validity of registration ends in end of following year after effectation of registration. Renewal of registration must proceed in the calendar year of expiry of registration between November 1 to December 31.

In clause 2, article 18 of Law No. 1/2015, civil liability insurance is an essential document for registration and renewal of registration. Technicians, individual entrepreneurs (natural person) and companies must insure valid civil liability insurance that underwrites damages caused during formation of plan, project steering or project monitoring.

### **Legitimacy Taxation**

Legal framework in relation to industrial tax is mainly established in accordance with the following laws:

Law no.15/77/M

Decree Law no.16/84/M

Decree Law no.16/85/M

Dispatch no.60/GM/97

Dispatch no.102/GM/96

Dispatch no.26/GM/99

Law no. 11/2016

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## REGULATORY OVERVIEW

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Legal framework in relation to complementary income tax is mainly established in accordance with the following laws:

Law no.21/78/M

Dispatch no.12/80

Dispatch no.49/80

Law no.15/96/M

Dispatch no.59/GM/97

Law no.12/2003

Law no.4/2005

Law no. 11/2016

Pursuant to clause 1 of Article 2 of the Macau Industrial Tax Regulation (營業稅規章), natural person or legal person who engages in any industrial or commercial activities is subject to industrial tax. Nevertheless, pursuant to Article 11 of Law no. 11/2016, the activities stated in table 1 and table 2 of Macau Industrial Tax Regulation attached to Law no. 15/77/M which was approved on 31 December is exempted from industrial tax by the Macau Special Administrative Government for the year 2017.

Complementary income tax (所得補充稅) is levied on the total income earned within the territory by a natural person or legal person regardless of its residence. Pursuant to the provisions under Article 20 of Law no. 11/2016, under which the applicable tax rate is specified in Article 7 of Regulation on Complementary Income Tax (所得補充稅規章) approved by Law no. 21/78/M on 9 September, The exempted tax amount for 2016 shall be MOP600,000. A tax rate of 12% shall levy when the income exceed such amount.

### **Labour, Health and Safety**

Legal framework in relation to the employment of local and non-resident employees in Macau is established in accordance with the following laws:

Law no.7/2008 – Labour Relations Law

Decree Law no.40/95/M (Employees' Compensation Insurance Ordinance)

Decree Law no.37/89/M (Regulation on Occupational Safety and Hygiene in Commercial Establishment, Office and Labour Establishment)

Decree Law no.13/91/M (Sanctions for the Incompliance of Regulation on Occupational Safety and Hygiene in Commercial Establishment, Office and Labour Establishment)



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## REGULATORY OVERVIEW

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Law no.4/2010 (Social Security System)

Chief Executive Dispatch no.142/2016 (Adjustment to Monthly Amounts of Retirement Pension, Disability Allowances and Welfare Subsidies)

Chief Executive Dispatch no.357/2016 (Contribution Amounts and Respective Contribution Proportions by Employees and Employers)

Administrative Regulation no.13/2010 (Regulation of the conditions and restriction established in the authorization of employment of non-resident workers)

Law no.21/2009 (Law for the employment of non-resident workers)

Administrative Regulation no.8/2010 (Regulation of the Law for the employment of non-resident workers)

Administrative Regulation no.17/2004 (Regulation regarding on prohibition of illegal work)

Law no. 7/2008 “Labour Relations Law 勞資關係法” is a general regime that defines labour relations. In Macau, an employer has the right to set out rules to be obeyed by employees within the working environment as required by relevant regulations and formulates a set of company rules that states clearly the working arrangement and discipline, and the implementation thereof shall not result in working conditions inferior to that as required by such law. Article 33 under the same law requires normal working hours for employees of not more than 8 hours per day and 48 hours per week, and the employees are entitled to a consecutive 24-hour day-off per week with payment. Employees who worked for a full year are entitled to paid annual leave of not less than 6 working days in the coming year. Where an employer violates against the law due to non-performance of the obligation as required by Law no. 7/2008, he/she may still has to fulfil such obligation in addition to a punishment and a fine or penalty.

Pursuant to Decree Law no. 40/95/M “Employees Compensation Insurance Ordinance” defines the system applicable to compensation for loss arising from occupational accidents and occupational diseases. It is applicable to all employees of any industry who are entitled to compensation for loss arising from occupational accidents and occupational diseases as provided by such law. Where occupational accidents occur outside the territory, employees who are employed and work for an employer who legally engages in business in Macau shall be entitled to compensation as stipulated by such law except for compensation granted to such employee and his/her family under the law of the place to where the accidents occur. Where the compensation granted under the law of the place to where the accidents occur is inferior to that as required by such law, the employer shall afford the difference therewith. Employers shall take out mandatory insurance to cover compensation for employees injured in work accidents or suffer from occupational diseases.

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## REGULATORY OVERVIEW

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Law no. 4/2010 defines social security system 社會保障制度 and aims at providing basic social security, especially retirement pension, for Macau residents, in order to improve living standard. All employers who maintain employment relationships shall make registration with social security fund and make contribution therefore. The beneficiary (i.e. employee) and the employer are obliged to make contribution to social security fund. social security system covers allowances for disability, unemployment, births, marriages and funerals. The system also includes other social security measures set out in the specific subsidy plan approved by the chief executive.

Pursuant to the provisions in Law no. 21/2009 (Law for the employment of non-resident workers 聘用外地僱員法), before hiring a non-resident worker to work in Macau, permission shall be obtained by the employer in advance by submitting an application to the Human Resources Office of Macau. Once approved, the non-resident worker being employed shall apply for an “Authorisation to Stay for Non-resident Workers” and a “Non-resident Worker’s Identification Card” from the Public Security Police Force of Macau before commencing work in Macau. Item 1 of Article 5 of the Law provides that the following persons are authorised to hire non-resident workers: (1) Macau residents; (2) legal persons with their head-office or an establishment in the Macau; (3) non-residents with a commercial or industrial establishment in the Macau.

Administrative Regulation no. 8/2010 is a standardization of the grant of the permit for employment of non-resident workers, the grant of stay permit, payment of employment fee and the use of received employment fee. Application for employment permit shall state clearly the proposed salary and other major labour conditions for non-resident workers by the employer. Non-resident workers are qualified to provide services within Macau after being granted “Authorisation to Stay for Non-resident Workers” that remains in force at such time when the services provided. The employer shall pay the employment fee for the previous quarter in January, April, July and October with the payment slip which form approved under the society security fund. The received employment fee shall be considered as income for social security fund.

Whenever the Labour Affairs Bureau (勞工暨就業局), the Public Security Police Force (治安警察局), or the Customs Service (海關) consider that an activity carried out by a non-resident does not comply with the above situation, they shall immediately notify the natural person or legal person of Macau to whom such non-resident of Macau provides services, and such natural person or legal person shall terminate the activities of such non-resident immediately after being notified.

The employee who violates the limitations and conditions as stipulated in Article 4 of the Regulation regarding on prohibition of illegal work shall be subject to a penalty of MOP20,000.00 to MOP50,000.00 for each involved employee and shall be held liable for criminal charges – Law no. 6/2004, article 16.

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## REGULATORY OVERVIEW

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### Hong Kong

Set out below is a summary of certain aspects of the laws and regulations in Hong Kong which are relevant to our Group's operations in Hong Kong.

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

##### ***Definition of wages***

“Wages” means all remuneration, earnings, allowances, tips and service charges, however designated or calculated, payable to an employee in respect of work done or work to be done. Allowances including travelling allowances, attendance allowances, commission and overtime pay are within the definition of wages. However, it does not include:

- (a) the value of any accommodation, education, food, fuel, water, light or medical care provided by the employer;
- (b) employer's contribution to any retirement scheme;
- (c) commission, attendance allowance or attendance bonus which is of a gratuitous nature or is payable only at the discretion of the employer;
- (d) non-recurrent travelling allowance or the value of any travelling concession or travelling allowance for actual expenses incurred by the employment;
- (e) any sum payable to the employee to defray special expenses incurred by him/her by the nature of his/her employment;
- (f) end of year payment, or annual bonus which is of a gratuitous nature or is payable only at the discretion of the employer; and
- (g) gratuity payable on completion or termination of a contract of employment.

An employee's entitlements to end of year payment, maternity leave pay, paternity leave pay, severance payment, long service payment, sickness allowance, holiday pay, annual leave pay and wages in lieu of notice are calculated according to the above definition of wages.

Overtime pay should also be included in calculating the above payments if:

- (a) it is of a constant character; or
- (b) its monthly average over the past 12 months is not less than 20% of the average monthly wages of the employee during the same period.

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## REGULATORY OVERVIEW

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### ***Payment of wages***

Wages shall become due on the expiry of the last day of the wage period. An employer should pay wages to an employee as soon as practicable but in any case not later than seven days after the end of the wage period. An employer is required to pay interest on the outstanding amount of wages to the employee if he/she fails to pay wages to the employee within seven days when it becomes due.

An employer who wilfully and without reasonable excuse fails to pay wages to an employee when it becomes due is liable to prosecution and, upon conviction, to a fine of HK\$350,000 and to imprisonment for three years.

An employer who wilfully and without reasonable excuse fails to pay interest on the outstanding amount of wages to the employee is liable to prosecution and, upon conviction, to a fine of HK\$10,000.

### ***Failure to pay wages***

An employer who is no longer able to pay wages due should terminate the contract of employment in accordance with its terms.

If wages are not paid within one month after they become due, an employee may deem his/her contract of employment to be terminated by his/her employer without notice and is entitled to wages in lieu of notice in addition to other statutory and contractual termination payment. To avoid disputes, an employee should inform his/her employer when he/she exercises such rights under the Employment Ordinance.

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

The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system for work injuries. Major provisions of the Ordinance are:

#### ***Application***

An employer is liable to pay compensation in respect of injuries sustained by his/her/its employees as a result of an accident arising out of and in the course of employment; or in respect of occupational diseases specified in the Employees' Compensation Ordinance suffered by the employees.

The Employees' Compensation Ordinance in general applies to employees who are employed under a contract of service or apprenticeship. Employees who are injured while working outside Hong Kong are also covered if they are employed in Hong Kong by local employers.

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## REGULATORY OVERVIEW

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### ***Assessment of loss of earning capacity***

A two-tier system – Employees’ Compensation (Ordinary Assessment) Board and Employees’ Compensation (Special Assessment) Board – is provided for to assess the necessary period of absence from duty and the percentage of loss of earning capacity permanently caused to the employee as a result of the work injury.

### ***Settlement of claims***

Depending on the nature of the case, a claim for employees’ compensation can be settled in the following ways:

- (a) Direct payment
- (b) Determination of compensation by agreement according to the Employees’ Compensation Ordinance
- (c) Settlement by certificate
- (d) Settlement by Court

### ***Compulsory insurance***

An employer must be in possession of a valid insurance policy to cover his/her/its liabilities both under the Employees’ Compensation Ordinance and at common law for the work injuries for his/her/its employees.

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

#### ***Coverage***

Mandatory provident fund (“MPF”) is an employment-based retirement protection system. Except for exempt persons, employees (regular or casual) and self-employed persons who are at least 18 but under 65 years of age are required to join an MPF scheme.

#### ***Enrolment***

Both full-time and part-time employees (except for exempt persons) are covered by the MPF system.

Employers in all industries should enrol their regular employees (i.e. employees who are at least 18 but under 65 years of age and employed for 60 days or more) in an MPF scheme within the first 60 days of employment.

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## **REGULATORY OVERVIEW**

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Employers in the construction industry or catering industry should enrol their casual employees in an MPF scheme within the first 10 days of employment, regardless of the length of the employment period. Casual employees are those who are at least 18 but under 65 years of age and who are employed in either of the two industries on a day-to-day basis or for a fixed period of less than 60 days.

Employers may select one or more MPF schemes available on the market for participation and offer them to their employees. Employers are encouraged to consult their employees on the selection of MPF schemes.

### ***Contributions***

Employees and employers who are covered by the MPF system are each required to make regular mandatory contributions calculated at 5% of the employee's relevant income to an MPF scheme, subject to the minimum and maximum relevant income levels. For a monthly-paid employee, the minimum and maximum relevant income levels are HK\$7,100 and HK\$30,000, respectively.

“Relevant income” refers to all monetary payments paid or payable by an employer to an employee, including wages, salary, leave pay, fees, commissions, bonuses, gratuities, perquisites or allowances, but excluding severance payments or long service payments under the Employment Ordinance.

Both employees and employers are free to make voluntary contributions in addition to mandatory contributions.

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

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. It is basically an enabling ordinance setting out requirements in general terms.

### ***Coverage***

The Occupational Safety and Health Ordinance covers almost all workplaces – places where employees work. In addition to factories, construction sites and catering establishments, other places, such as offices, laboratories, shopping arcades, educational institutions also come under the ambit of the law. However, there are a few exceptions, namely:

- (a) an aircraft or vessel in a public place;
- (b) the place occupied by the driver of a land transport vehicle when it is in a public place (but other employees working in the vehicle are covered);
- (c) domestic premises at which only domestic servants are employed; and
- (d) places where only self-employed persons work.

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## REGULATORY OVERVIEW

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### *The roles of the duty holders*

Under the Occupational Safety and Health Ordinance, everyone has a role to play in creating a safe and healthy workplace.

Employers should contribute to safety and health in their workplaces by:

- (a) providing and maintaining plant and work systems that do not endanger safety or health;
- (b) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- (c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (d) providing and maintaining safe access to and egress from the workplaces; and
- (e) providing and maintaining a safe and healthy work environment.

Occupiers of premises should take responsibility for ensuring that:

- (a) the premises;
- (b) the means of access to and egress from the premises; and
- (c) any plant or substance kept at the premises

are safe and without risks to health to any person working on the premises, even if they do not directly employ that person on the premises.

Employees should also contribute to safety and health in the workplaces by:

- (a) taking care for the safety and health of persons at the workplace; and
- (b) using any equipment or following any system or work practices provided by their employers.

### *Enforcement of the Ordinance*

The Commissioner for Labour is empowered to issue improvement notices and suspension notices against activity of workplace which may create an imminent hazard to the employees. Failure to comply with the notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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## REGULATORY OVERVIEW

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

The Minimum Wage Ordinance establishes a statutory minimum wage (“SMW”) regime aimed at striking an appropriate balance between forestalling excessively low wages and minimising the loss of low-paid jobs while sustaining Hong Kong’s economic growth and competitiveness.

SMW provides a wage floor to protect grassroots employees.

SMW has come into force since 1 May 2011. With effect from 1 May 2017, the SMW rate is HK\$34.5 per hour. Concurrently, the monetary cap on the requirement of employers keeping records of the total number of hours worked by employees is also revised to HK\$14,100 per month.

SMW is expressed as an hourly rate. In essence, wages payable to an employee in respect of any wage period should be no less than the SMW rate on average for the total number of hours worked.

The major provisions of the Minimum Wage Ordinance, e.g. definition of wages, are aligned as closely as possible with those of the Employment Ordinance to ensure consistency and effective enforcement, avoid confusion to employers and employees and minimise the compliance cost for employers.



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 22 June 2017 in anticipation of the Listing. The subsidiaries of our Group comprise Kin Pang and Greatway. Details of these subsidiaries of our Group are set out in the section headed “History, Reorganisation and Group Structure – Business development” in this prospectus.

Prior to the Listing, our Group underwent the Reorganisation and immediately following completion of the Reorganisation, the issued share capital of our Company was owned as to 10% by the Pre-IPO Investor and 90% by Fortunate Year, a company incorporated in the BVI which is owned as to 60% by Mr. Kong and 40% by Ms. Choi.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Fortunate Year and the Pre-IPO Investor will respectively own 67.0% and 8.0% of the issued share capital of our Company (without taking into account any Share which will be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme).

### BUSINESS DEVELOPMENT

Our Group’s history can be traced back to June 2006, when Mr. Kong and Ms. Choi incorporated Kin Pang with a view to participate in construction work in Macau.

#### Milestones of our Group

The key events of the development of our Group are set out below:

<b>Year</b>	<b>Key event</b>
2006	Kin Pang was incorporated in Macau on 28 June 2006.
2007	Kin Pang was first registered as a construction company with the DSSOPT.
2009	Greatway was incorporated in Hong Kong on 15 October 2009.
2011	Kin Pang was first accredited ISO 9001:2008 in December 2011.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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<b>Year</b>	<b>Key event</b>
2012	Kin Pang was awarded with the first emergency repair services contract from the electricity utility company in Macau.
2014	Kin Pang was awarded “Merit Award of Best Safety Management System” in the 4th Safety Awards Scheme of Construction Industry organised by the Labour Affairs Bureau of Macau.
2015	Kin Pang was first accredited ISO 14001:2004 and OHSAS 18001:2007 in June 2015.
2016	<p>Kin Pang was awarded “Merit Award of Best Safety Management System and Special Construction Project” in the 5th Safety Awards Scheme of Construction Industry organised by the Labour Affairs Bureau of Macau.</p> <p>Kin Pang became a member of Macau Construction Machinery Engineering Association.</p>
2017	Our Company was incorporated in the Cayman Islands on 22 June 2017 as part of the Reorganisation for the purpose of the Listing.

### **CORPORATE DEVELOPMENT**

Set out below are the history and development of our operating subsidiaries:

#### **Kin Pang**

Kin Pang carries out (i) building and ancillary services; and (ii) emergency repair services, solely in Macau and was incorporated in Macau on 28 June 2006 as a limited liability company. As at the date of incorporation, Kin Pang’s issued share capital was MOP250,000, which was owned as to 60% by Mr. Kong and 40% by Ms. Choi. Kin Pang remained owned as to 60% by Mr. Kong and 40% by Ms. Choi since its incorporation until the implementation of the Reorganisation.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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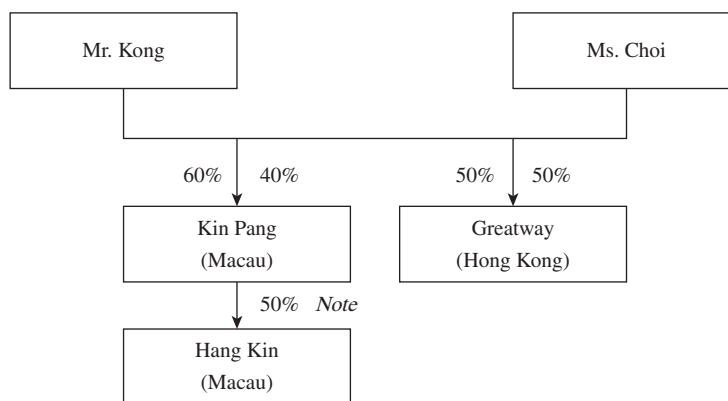
### Greatway

Greatway was incorporated in Hong Kong on 15 October 2009 as a limited liability company. As at the date of incorporation, one subscriber share was issued and allotted to the initial subscriber, who transferred that one share to Mr. Kong on 7 December 2009. On the same day, Greatway further issued and allotted one share to Ms. Choi. Greatway was owned as to 50% by Mr. Kong and 50% by Ms. Choi since 7 December 2009 until the implementation of the Reorganisation. Greatway was incorporated with a view to exploring potential business opportunities in the construction industry in Hong Kong. Nevertheless, as such business plan did not subsequently proceed, Greatway had not carried out any business activities since its incorporation up to the Latest Practicable Date.

In 2017, as we started the preparation for the Listing, Greatway has been used for carrying out the administrative matters of our Group in Hong Kong, mainly including (i) payroll functions for our administration, accounting and finance staff who are stationed in Hong Kong; and (ii) leasing of our Hong Kong office in preparation for the Listing, details of which are set out in the section headed “Business – Properties” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, save for the advance of funds from Kin Pang to Greatway for financing its aforesaid operation activities, there has not been any transactions between Greatway on one hand and other Group members or entities controlled by our Controlling Shareholders on the other hand.

### REORGANISATION

The following diagram illustrates our corporate structure before the Reorganisation:



*Note:* Hang Kin was owned as to 50% by 栢通基礎工程有限公司 (Hang Tung Foundation Engineering Company Limited\*), an Independent Third Party.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **Disposal of interest in Hang Kin**

Hang Kin was incorporated in Macau on 15 November 2011 as a limited liability company. As at the date of incorporation, Hang Kin's issued share capital was MOP30,000, which was owned as to 50% by Kin Pang and 50% by 桁通基礎工程有限公司 (Hang Tung Foundation Engineering Company Limited\*), an Independent Third Party.

As Hang Kin is principally engaged in leasing of construction machinery, which is different from the principal business of our Group, we decided to dispose of our interest in Hang Kin during the Reorganisation. On 5 July 2017, Kin Pang entered into a share transfer agreement with Kin Hang Machinery Equipment Company Limited (建恒機械設備有限公司) (“**Kin Hang**”), pursuant to which Kin Pang transferred one share of Hang Kin (representing 50% equity interest in Hang Kin) to Kin Hang (which is owned as to 80% by Ms. Choi and 20% by Ms. Kong Pou Ian, a daughter of Mr. Kong and Ms. Choi), at a consideration of MOP15,000, which is equivalent to the par value of the transferred share. Such transfer was completed and settled on 26 July 2017, upon which our Group ceased to hold any interest in Hang Kin.

### **Incorporation of Clear Achieve**

Clear Achieve was incorporated in the BVI with limited liability on 1 March 2017, which is authorised to issue 50,000 shares with a par value of US\$1.00 each. On 10 May 2017, Clear Achieve issued and allotted 60 shares and 40 shares to Mr. Kong and Ms. Choi at par value, respectively.

### **Acquisition of interest in Clear Achieve by the Pre-IPO Investor**

Being the Pre-IPO Investment, Clear Achieve, Mr. Kong, Ms. Choi and the Pre-IPO Investor entered into a subscription agreement on 19 May 2017, pursuant to which the Pre-IPO Investor conditionally agreed to subscribe 20 shares of Clear Achieve, representing 10% of the enlarged issued share capital of Clear Achieve upon closing, at a consideration of HK\$13,000,000. Upon completion of the Pre-IPO Investment, Clear Achieve issued and allotted 48 shares, 32 shares and 20 shares to Mr. Kong, Ms. Choi and the Pre-IPO investor respectively, and thereafter it was owned as to 54% by Mr. Kong, 36% by Ms. Choi and 10% by the Pre-IPO Investor. For details of the Pre-IPO Investment, please refer to the section headed “History, Reorganisation and Group Structure – Pre-IPO Investment” in this prospectus.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### **Incorporation of our Company**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2017 to act as the holding company of our Group for the Listing. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 22 June 2017, one subscriber Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Fortunate Year.

### **Acquisition of our operating subsidiaries**

On 31 May 2017, Mr. Kong and Ms. Choi transferred to Clear Achieve the entire issued share capital of Kin Pang at par value, namely for a total consideration of MOP250,000, upon which Kin Pang became a wholly-owned subsidiary of Clear Achieve.

On 26 June 2017, Mr. Kong and Ms. Choi transferred the entire issued share capital of Greatway to Clear Achieve at a consideration of HK\$2, upon which Greatway became a wholly-owned subsidiary of Clear Achieve.

On 14 July 2017, Mr. Kong and Ms. Choi transferred an aggregate of 180 ordinary shares of Clear Achieve, representing 90% of the issued share capital of Clear Achieve, to our Company, as consideration of which our Company issued and allotted 89 Shares to Fortunate Year. On the same day, the Pre-IPO Investor transferred 20 ordinary shares of Clear Achieve, representing 10% of the issued share capital of Clear Achieve, to our Company, as consideration of which our Company issued and allotted 10 Shares to the Pre-IPO Investor. Upon completion of such transfers, our Company was owned as to 90% by Fortunate Year and 10% by the Pre-IPO Investor.

Upon completion of the abovementioned transfers, each of Kin Pang and Greatway became an indirect wholly-owned subsidiary of our Company, which was owned as to 10% by the Pre-IPO Investor and 90% by Fortunate Year, an investment holding company owned as to 60% by Mr. Kong and 40% by Ms. Choi.

### **PRE-IPO INVESTMENT**

On 19 May 2017, Clear Achieve, Mr. Kong, Ms. Choi and the Pre-IPO Investor entered into a subscription agreement, pursuant to which the Pre-IPO Investor conditionally agreed to subscribe 20 shares of Clear Achieve, representing 10% of the enlarged issued share capital of Clear Achieve upon closing, at a consideration of HK\$13,000,000, which was arrived at after arm's length negotiations between Clear Achieve and the Pre-IPO Investor with reference to the price-to-earnings ratio of the investment of approximately 5 times, based on the net profit of Kin Pang for the financial year ended 31 December 2016 at approximately MOP25,979,000. The Pre-IPO Investment was completed on 1 June 2017, upon which Clear Achieve was owned as to 54% by Mr. Kong, 36% by Ms. Choi and 10% by the Pre-IPO Investor.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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The following table summarises further details of the Pre-IPO Investment:

Information of the Pre-IPO Investor	Quasar Global Selection SPC Fund (駿昇環球精選獨立組合公司基金)(the “SPC”) is a segregated portfolio company incorporated in the Cayman Islands on 3 January 2017 and Shenzhen Qianhai Glory Fund (深圳前海國銀投資基金獨立組合) is a segregated portfolio designated by the SPC on 3 January 2017. The SPC conducts private equity investment.
Completion date of the Pre-IPO Investment	1 June 2017
Date of payment of consideration	24 May 2017
Number of Shares held by The Pre-IPO Investor upon the Capitalisation Issue	80,000,000
Cost per Share paid by the Pre-IPO Investor (taking into account the Capitalisation Issue)	Approximately HK\$0.163
Discount to the Offer Price range (taking into account the Capitalisation Issue)	Between 59% and 73% (based on the Offer Price at HK\$0.4 and HK\$0.6 per Share respectively)
Shareholding in our Company upon the completion of the Pre-IPO Investment	10%
Shareholding in our Company upon Listing	8.0%
Use of proceeds by our Group	Working capital and other general purpose
Lock-up and public float	The Shares held by the Pre-IPO Investor are not subject to any lock-up arrangement and will be counted towards the public float of our Company and will rank <i>pari passu</i> with the Shares then in issue and to be listed on the Stock Exchange.

No special right was granted to the Pre-IPO Investor in relation to the Pre-IPO Investment.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### *Background information of the Pre-IPO Investor*

Quasar Global Selection SPC Fund (駿昇環球精選獨立組合公司基金)(the “SPC”) is a segregated portfolio company incorporated in the Cayman Islands on 3 January 2017 and Shenzhen Qianhai Glory Fund (深圳前海國銀投資基金獨立組合) is a segregated portfolio designated by the SPC on 3 January 2017. The SPC conducts private equity investment. The SPC is managed by Quasar Investment Management (Cayman) Limited (駿昇投資管理(開曼)有限公司 (the “**Management Company**”). Based on information available, the SPC was ultimately owned by a total of (i) three listed companies in Hong Kong; and (ii) nine individual investors (either by themselves or through their holding companies), based on their respective ratio of funds contribution as at the Latest Practicable Date as set out in the table below:

<b>Name of ultimate owners</b>	<b>Ratio of funds contribution</b>
Mr. Kwok Shun Tim	24.33%
Subscriber B (being a listed company listed on the Stock Exchange, which is principally engaged in (i) trading of construction machinery, which are mainly foundation machinery and drilling accessories; (ii) leasing of construction machinery, which are mainly power and energy machinery; and (iii) the provision of local transportation services)	15.63%
Mr. Wong Hoi Cheung	10.42%
Subscriber D (being an individual)	10.42%
Subscriber E (being an individual)	7.29%
Mr. Lam Wing Chak Victor (being the spouse of Ms. Cheng Pui Ling)	7.29%
Subscriber G (being an individual)	7.29%
China New Economy Fund Limited (Hong Kong stock code: 0080.HK)	5.84%
Mr. Ng Tang	5.21%
Subscriber J (being a listed company listed on the Stock Exchange, which is principally engaged in the provision of private educational services, investment in securities, property investments and money lending business)	3.16%
Ms. Lam Mau	2.08%
Subscriber L (being an individual)	1.04%

The SPC is a regulated mutual fund for the purposes of Mutual Funds Laws of the Cayman Islands and is registered with the Cayman Islands Monetary Authority pursuant to the Mutual Funds Law of the Cayman Islands. As at the Latest Practicable Date, the SPC and the Shenzhen Qianhai Glory Fund are not subject to the regulations of the SFC.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### *Investment strategy and portfolio of the Pre-IPO Investor*

The SPC conducts broad investments for capital gain and interest return. According to the internal memorandum of the SPC, the SPC is currently divided into two sub-funds to pursue the following separate investment strategies: (i) sub-fund A is used for investing in assets that the investment manager considers to be medium-risk investments. Such investments may include listed and unlisted equities, debt securities and obligations and exchange-traded funds; and (ii) sub-fund B is used for investing in assets that the investment manager considers to be high-risk investments. Such investments may include listed and unlisted equities, debt securities and obligations below investment grade, and derivative instruments which may be exchange-traded or over-the-counter.

The portfolio of the SPC mainly includes (i) listed companies listed on the Stock Exchange with small-to-large size market capitalisation; and (ii) small and medium-sized enterprises with operations in Hong Kong (such as construction business and container repair/storage business). Based on the latest information available from the SPC as at the Latest Practicable Date, the size of the portfolio of the SPC was approximately HK\$96.0 million, among which (i) approximately HK\$32.0 million was invested in acquiring a minority interest in the equity of a company engaged in container repair/storage business and a controlling interest in the equity of a private company in Hong Kong, (ii) HK\$13.0 million was invested in our Group as the Pre-IPO Investment, (iii) approximately HK\$15.0 million was invested in promissory notes; (iv) approximately HK\$34.8 million was invested in listed companies listed on the Stock Exchange with small-to-large size market capitalization; and (v) the remaining cash of approximately HK\$1.2 million was held as idle fund.

### *Discretion of the Management Company in the Pre-IPO Investor*

According to the internal memorandum of the SPC, the Management Company has discretion to manage, invest and reinvest the assets of the SPC in pursuit of the investment objective and in accordance with the investment strategies and other certain restrictions and control measures. The Management Company has appointed, and delegated its aforesaid powers to, Quasar Asset Management Limited to provide asset management service in respect of the SPC subject to the overall control and supervision of the Management Company. Quasar Asset Management Limited is a licensed corporation under the SFO to engage in type 4 (advising on securities) and type 9 (asset management) regulated activities. Both of the Management Company and Quasar Asset Management Limited are ultimately controlled by Ms. Cheng Pui Ling (“**Ms. Cheng**”), a founder and a director of the SPC and the Management Company.

### *Introduction of Pre-IPO Investor to our Group*

At a social event in early 2017, Mr. Kong, our Controlling Shareholder, made acquaintances with Mr. Cheung Siu Yiu (“**Mr. Cheung**”), who was then a director of the SPC. At that time, Mr. Kong had given Mr. Cheung an overview of the background and business nature of Kin Pang. Following further discussion after the social event, Mr. Cheung expressed



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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interests in investing in our Group and was invited to conduct several visits to our headquarters. In May 2017, Mr. Kong, Ms. Choi and the SPC commenced negotiation about the proposed equity investment in our Group.

To the knowledge of Mr. Kong, Mr. Cheung was a director of the SPC. His main responsibilities in the SPC include: (i) identifying potential investment opportunities, primarily, in private-owned companies in Hong Kong, Macau and the PRC; (ii) approaching and communicating with potential investors in the SPC; and (iii) attending investment seminars, industry events and social functions on behalf of SPC. Mr. Cheung is a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Cheung is concurrently the chief financial officer and the company secretary of Tian Shan Development (Holding) Limited (“**Tian Shan**”) (Hong Kong stock code: 2118). He had participated in the preparation for Tian Shan’s initial public offering in the Stock Exchange in 2010. Mr. Cheung is currently responsible for the financial management and reporting, funding raising and compliance matters of Tian Shan.

### *Strategic benefits from the Pre-IPO Investment to our Group*

In deciding to invest in our Group, the SPC Fund has undertaken certain due diligence works, including discussion with our senior management, reviewing our operating procedures and financial results, as well as conducting research on the prospect of building and ancillary services industry in Macau. As part of the due diligence work, Mr. Cheung discussed with our senior management regarding our business operation and management. During the discussion, Mr. Cheung has shared his knowledge in the listing process of a private company and provided certain advice on our potential business development as a listed company in Hong Kong in the future.

In accepting the Pre-IPO Investment from the SPC, our Directors have considered various factors, including but not limited to, (i) Mr. Cheung is experienced in the fields of and the procedures relating to post-listing fund-raising activities as mentioned above. Further, Ms. Cheng Pui Ling (being a founder and a director of the SPC and the Management Company) has more than two decades of experience in the investment fields. Prior to founding the SPC and the Management Company, Ms. Cheng had worked in various securities firms where she was responsible for managing, marketing and promoting securities and brokerage business in Hong Kong and Southeast Asian countries. As a representative of SPC, Ms. Cheng has from time to time exchanged her insight into the financial markets and business environment in the Asian region with our Directors. By leveraging on the experience and advice of Mr. Cheung and Ms. Cheng, our Group will be in more informed position in formulating our business strategies and future business development upon Listing, which could contribute to better long-term development of our Group; (ii) by securing pre-listing equity financing from a private investment fund, our Group will be able to enhance its corporate image and to provide greater confidence to our business partners, including our customers, suppliers and principal banks in

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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working with us. Given that generally investment managers would only decide to invest in a private-owned entity after carrying out thorough due diligence and screening process on their investment target based on their professional knowledge, our Directors consider that a capital injection from an overseas investment fund (such as the SPC) is likely to be perceived by our business partners as a vote of confidence from investment professionals in our management team, long-term business prospects and financial strengths, which in turn would facilitate our efforts in developing further commercial opportunities with them, including but not limited to obtaining more invitations from our customers for sizeable projects, better credit ratings from banks and/or better credit terms from our suppliers; and (iii) the Pre-IPO Investment from the SPC demonstrates the confidence of the SPC in our operation and serves as an endorsement of our performance, strengths and business prospect. None of Mr. Cheung and Ms. Cheng has received or will receive any fees or remunerations from our Group or our Controlling Shareholders.

Saved as disclosed below, there is no other relationship among Mr. Cheung, Ms. Cheng, SPC, and Tian Shan, including but not limited to any business, employment or investment relationship:

- (i) Ms. Cheng has been a founder and a director of the SPC and the Management Company; and
- (ii) Mr. Cheung has been (a) a former director of the SPC Fund; and (b) currently the chief financial officer and the company secretary of Tian Shan.

None of Mr. Cheung and Ms. Cheng has received or will receive any fees or remunerations from our Group or our Controlling Shareholders.

### *Difference in cost per Share paid by the Pre-IPO Investor and the Offer Price range*

As disclosed in this paragraph above, as the Pre-IPO investor decided to invest in our Group in May 2017, Clear Achieve and the Pre-IPO Investor had made reference to the price-to-earnings ratio of approximately 5 times of the net profit of Kin Pang, being our principal operating subsidiary, for the financial year ended 31 December 2016 at approximately MOP26.0 million.

Subsequently, during the preparation for the listing application, our Group has determined its proposed Offer Price range based on a number of factors, mainly including: (i) the price-to-earnings ratio of other comparable listed companies in similar industry upon their listing; (ii) the growth prospect and the financial performance to the Latest Practicable Date; and (iii) expected prevailing market conditions upon its proposed Listing.

The Directors consider that the difference in (i) the cost per Share paid by the Pre-IPO Investor; and (ii) the Offer Price Range is mainly attributable to the difference in the aforesaid basis and factors taken into account in determining their respective pricing.

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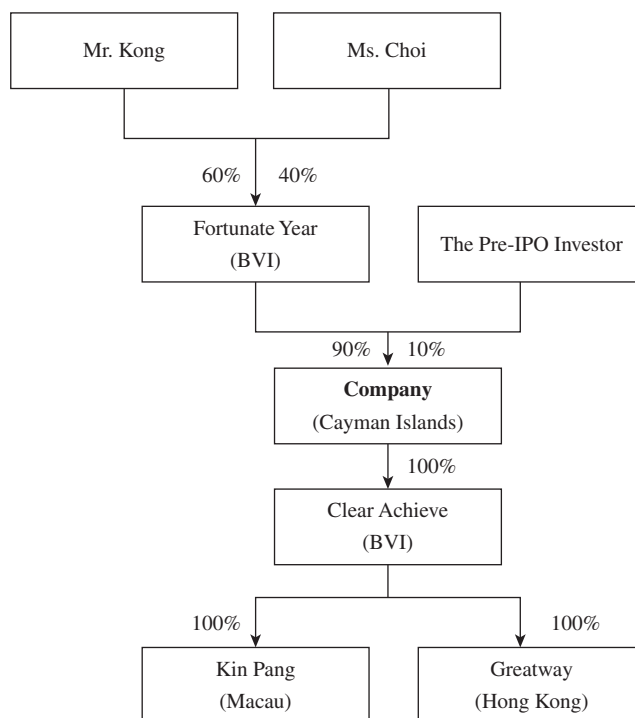
### *Independence of the Pre-IPO Investors*

Other than the Pre-IPO Investment, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the SPC and the Management Company were Independent Third Parties. Further, save as the Pre-IPO Investment, there are no other agreements, arrangements, understanding or undertakings between our Controlling Shareholders and the Pre-IPO Investment.

### **Sponsor's confirmation**

The Sponsor is of the view that the Pre-IPO Investment was in compliance with the guidance letters HKEx-GL29-12 (issued in January 2012 and updated in March 2017) and HKEx-GL43-12 (issued in October 2012, updated in July 2013 and March 2017) issued by the Stock Exchange and the Pre-IPO Investment has been completed at least 28 clear days before the date of the first submission of the listing application form in respect of the Listing.

### **CORPORATE STRUCTURE FOLLOWING THE COMPLETION OF THE REORGANISATION AND THE PRE-IPO INVESTMENT**

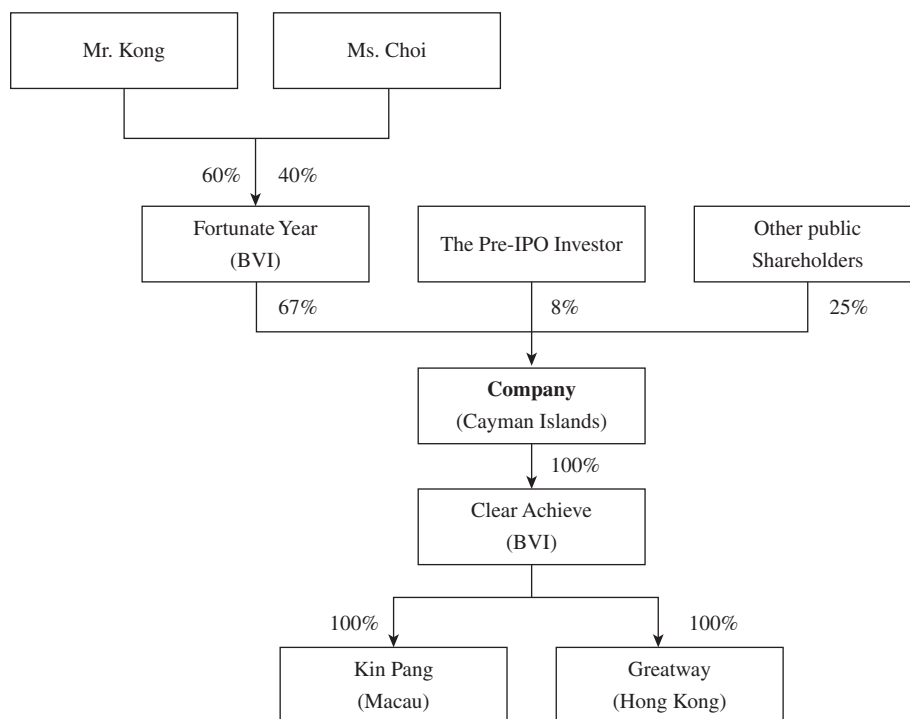


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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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**CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE SHARE OFFER (WITHOUT TAKING INTO ACCOUNT ANY SHARES THAT MAY BE ALLOTTED AND ISSUED UPON THE EXERCISE OF THE OPTIONS THAT MAY BE GRANTED UNDER THE SHARE OPTION SCHEME)**



## BUSINESS

### OVERVIEW

We are an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services, solely in Macau. Since our establishment in 2006, our Group has accumulated experience in providing a wide spectrum of construction services to our customers. Our services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers).

We maintain a pool of site workers who are capable of undertaking different types of construction works. Depending on the scale, complexity and requirement of the projects, we engage subcontractors from time to time to perform certain construction works (mainly including ELS works, asphalt road works, erection of temporary hoardings, installation of temporary support structures, hard landscaping works, excavation works, electrical installation works and interior fitting-out works). Our suppliers mainly include (i) suppliers of diesel fuel for powering the machinery used; (ii) suppliers of construction materials required for our operations (mainly including concrete, stone materials, cement, steel, sewer covers, water pipes and electrical components); (iii) lessors of machinery (such as crawler cranes); and (iv) suppliers of other miscellaneous services such as the transportation of machinery and construction waste. Please refer to the section headed “Business – Suppliers” in this prospectus for further information.

We possess our own machinery for performing different types of construction works and therefore are not materially reliant on any single third party for machinery leasing. Our owned plant and machinery, mainly include excavators, cranes and road rollers, with a net book value of approximately MOP7.2 million in aggregate as at 31 May 2017. Our owned machinery is mainly used for performing excavation, road formation and lifting operations as we undertake building and ancillary works. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, we acquired new machinery in the amount of approximately MOP2.6 million, MOP4.6 million, MOP2.2 million and nil at costs respectively. Please refer to the section headed “Business – Machinery” in this prospectus for further information.

The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
	MOP'000	%	MOP'000	%	MOP'000	%	2016		2017	
							MOP'000	%	MOP'000	%
							(unaudited)			
Building and ancillary services	198,218	95.8	165,301	95.2	163,003	92.6	72,551	93.9	74,010	95.7
Emergency repair services	8,727	4.2	8,408	4.8	13,036	7.4	4,742	6.1	3,291	4.3
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

## BUSINESS

Our building and ancillary services mainly included foundation associated works, hard landscaping, alteration and addition works, road works, water pipe works, electrical and mechanical works and other ancillary building works. During the Track Record Period, we mainly undertook building and ancillary works in relation to hotel and casino resorts, public amenities and utilities and other industrial development. Please refer to the section headed “Business – Description of our Construction Services” in this prospectus for further details.

Our emergency repair services typically refer to our provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis. During the fixed contract term, we are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from electricity and water utility companies.

During the Track Record Period, we had completed a total of 158 projects, including 150 building and ancillary services projects and 8 emergency repair services projects. As at the Latest Practicable Date, our backlog included 33 building and ancillary services projects, with an aggregate outstanding contract sum of MOP184.3 million.

During the Track Record Period, all of our Group’s revenue was derived in Macau and our Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is Macau Government, while private sector projects refer to projects that are not within the public sector.

During the Track Record Period, our private sector projects mainly comprised (i) building and ancillary works (mainly including foundation associated works, hard landscaping, alteration and addition works and road works) related to hotel and casino resorts development; and (ii) emergency repair services projects related to infrastructure of electricity and water supply, while our public sector projects mainly comprised building and ancillary services projects in relation to public amenities and utilities.

The following table sets forth a breakdown of our revenue by project nature during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Private sector	203,802	98.5	136,060	78.3	173,783	98.7	76,826	99.4	74,564	96.5
Public sector	3,143	1.5	37,649	21.7	2,256	1.3	467	0.6	2,737	3.5
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

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## BUSINESS

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We undertook projects as both main contractor and subcontractor during the Track Record Period. In projects where we are engaged by other construction contractors, we regard our role as being their subcontractors, while for all other types of projects, we regard our role as being the main contractors. We mainly act as main contractor in public sector projects and other private sector projects awarded by electricity and water utility companies in Macau. In relation to hotel and casino development projects, we are generally engaged as subcontractor by main contractors employed by relevant hotel and casino owners in the projects. The majority of our revenue during the Track Record Period was derived from projects in which we acted as subcontractor.

Our Directors believe that our Group's experienced management team with extensive industry knowledge can lead our Group to establish its reputation with proven track record in the construction industry in Macau, and also allow our Group to maintain long term relationship with some of its major customers as well as maintain an extensive network with our pool of suppliers and subcontractors. For further details, please refer to the section headed "Business – Competitive Strengths" in this prospectus.

According to the Frost & Sullivan Report, the estimated revenue of building and ancillary services market in Macau has grown from MOP13.4 billion in 2012 to MOP47.1 billion in 2016, representing a CAGR of 36.9%. Driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of 17.7%, increasing from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021. For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed "Industry Overview" in this prospectus.

### COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths:

#### **Established presence in the construction industry in Macau**

Kin Pang, our principal operating subsidiary, has been incorporated in 2006. Since our establishment, we have participated in various construction projects in Macau, some of which are related to major hotel and casino resorts developments in Macau. Based on our operating history, our Directors consider that we have an established presence in the construction industry and developed business relationship with industry players in Macau, including our existing and potential customers and our suppliers and subcontractors. As such, our established presence in the construction industry in Macau may give us an advantage in terms of maintaining existing customers and securing new business opportunities and it is crucial to the day-to-day business operations and future business development of our Group.

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### **Diversified experience and capabilities in a wide spectrum of construction services**

Throughout our years of operations, we have accumulated diversified experience in a variety of construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply and public amenities and utilities (such as carriageways, footpaths, drains and sewers). Our diversified experience and capabilities allow us to provide specific type of construction service as well as integrated construction services in a wide range of construction projects. We believe that our extensive industry experience positions us favourably to take on a wide range of customers and business opportunities, in particular construction projects which require integrated services in different aspects.

Further, our wide range of construction services help us to cross-sell our services to our customers. For instances, a hotel and casino resort development may include various types of works which sometimes require main contractors to engage several different subcontractors. Our Directors are of the view that it will be more convenient and economical for main contractors to engage one single subcontractor for numerous parts of works for the overall project, and hence this gives our Group a competitive edge by offering multiple types of construction services as a whole package to the project employers or their main contractors.

### **Stable relationships with some of our major customers**

Our customers during the Track Record Period mainly included (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; and (iii) the Macau Government. Our Group has long-standing business relationship with some of our major customers. As at the Latest Practicable Date, the business relationship between our Group and some of our top five customers during the Track Record Period ranges from five to eight years (including Customer A, Customer B, Customer C, Customer D and Macao Water), as referred to the section headed “Business – Customers – Top Customers” in this prospectus). Our Directors believe a strong relationship with customers would increase our recognition and visibility in the construction industry in Macau. Our Directors believe that our Group can leverage on our existing relationship with major customers to further develop new business opportunities in the construction industry.

### **Stringent quality control and high safety standard and environmental impact control**

We place emphasis on providing consistent and quality services. We have adopted and implemented a quality control system that complies with international standards. Since December 2011 and up to the Latest Practicable Date, we were assessed and certified to have complied with the requirements of ISO 9001 accreditation for our management system.



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We have set up an occupational health and safety system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. Since June 2015 and up to the Latest Practicable Date, we were assessed and certified to have complied with the requirements of OHSAS 18001:2007 for our occupational health and safety management system. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from projects undertaken by us. Since June 2015 and up to the Latest Practicable Date, we were assessed and certified to have complied with the requirements of ISO 14001:2004 (currently ISO 14001:2015) for our environmental management system.

Our Directors believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget, thereby strengthening our position as an established construction contractor in Macau.

### **Experienced and dedicated management team**

Our Group has an experienced management team in the Macau construction industry. Our Group is led by our Chairman and founder, Mr. Kong, who has over 26 years of experience in the construction industry and has been fundamental to the development of our Group since our establishment. In addition, our senior management members have been working with our Group ranging from approximately half year to four years and are experienced in the business development and day-to-day operation of our Group. For further information regarding the background and experience of our Directors, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

Our Directors believe that based on the experience of our management team, their technical expertise and industry knowledge, our Group is able to deliver quality and satisfactory services to our customers, which is essential to our success and future development.

### **Possession of a variety of machinery to carry out construction works**

We possess our own machinery for performing different types of construction works and therefore are not materially reliant on any single third party for machinery leasing. Our owned plant and machinery, mainly include excavators, cranes and road rollers, with a net book value of approximately MOP7.2 million in aggregate as at 31 May 2017. Our owned machinery is mainly used for performing excavation, road formation and lifting operations as we undertake building and ancillary works. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, we acquired new machinery in the amount of approximately MOP2.6 million, MOP4.6 million, MOP2.2 million and nil at costs respectively.

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We believe that our investment in machinery has placed us in a position to cater for construction works of different scales and complexity and to meet the expected growing demand for building and ancillary services in Macau in the foreseeable future. Our Directors believe that our wide range of machinery enables our Group to devise suitable works schedules and methods tailored to various needs and requirements from different customers and enables us to efficiently and effectively schedule our projects and deploy our manpower.

### **Our extensive network with our pool of suppliers and subcontractors**

Our Group has established and maintained working relationship with a network of suppliers and subcontractors. As at 31 May 2017, we had over 130 suppliers and over 30 subcontractors on our approved lists. In the event that any of the suppliers and subcontractors fails to provide favourable price quotation to us, deliver materials in a timely manner or complete works assigned by us up to our required standard, we still have other approved suppliers and subcontractors in our list for replacement. As a result, this extensive network enables us to have flexibility in pricing and selection, and to reduce the risk of shortage or delay in delivery of materials or services causing material disruption to our construction works. Our Directors believe that such extensive network with major suppliers and subcontractors will enable us to have higher chances in winning construction projects.

## **BUSINESS STRATEGIES**

The principal business objective of our Group is to further strengthen our position as an integrated construction contractor in Macau. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional building and ancillary services projects and emergency repair services projects, from both existing and potential new customers, on top of our present scale of operation and our current projects on hand.

Having considered (i) the growth in our profitability during the Track Record Period; (ii) our competitive strengths mentioned above; (iii) the number of building and ancillary services projects and emergency repair services projects that we were awarded and completed during the Track Record Period; and (iv) the forecasted growth of the building and ancillary service and emergency repair service market in Macau as stated in the Frost & Sullivan Report, our Directors believe that our Group can undertake additional building and ancillary services projects and emergency repair services projects on top of our present scale of operation and our current projects on hand if we are to continue to increase our available resources. As such, we intend to pursue the following key strategies:

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## BUSINESS

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### **1. Financing for the issue of performance guarantees for future projects**

During the Track Record Period, we were required by our customers in some building and ancillary services projects as well as emergency repair services projects to take out performance guarantee equivalent to approximately 5% to 10% of the total contract sum as security for the due performance and observance of our Group's obligations under the relevant project. We intend to use a portion of our net proceeds from the Share Offer to satisfy the amount of bank deposits required for the issue of performance guarantees for future projects. This will enable us to undertake (i) more projects; and (ii) projects of larger contract sum. We also believe that by expanding our capacity and scale, our Group will be able to undertake projects of more sizeable scale and broaden our customer base by meeting the pre-qualifications of tenders or quotations prescribed by potential customers.

#### ***Requirements for performance guarantees in our projects***

During the Track Record Period, pursuant to contract terms and as required by customer throughout project implementation, our Group had arranged for the issue of performance guarantees in favour of our customers for (i) sizeable building and ancillary services projects (such as Project BA1 and BA2); and (ii) projects awarded by government authority and the electricity utility company in Macau. As at 31 December 2014, 2015 and 2016 and 31 May 2017, performance guarantee of approximately MOP25,928,000, MOP28,596,000, MOP37,982,000 and MOP36,900,000 were given by banks in favour of our Group's customers. For further details, please refer to the section headed "Financial information – Contingent liabilities" in this prospectus. Based on the progress of the aforesaid projects which require performance guarantees and the terms of the relevant contracts with our customers, our Directors expect that approximately MOP0.2 million, MOP32.7 million, MOP3.0 million and MOP1.0 million of our performance guarantee as at 31 May 2017 will be released in each of the four years ending 31 December 2020, respectively.

Our existing performance guarantees were issued in respect of the on-going projects as well as projects which had been formally completed. In general, the terms of performance guarantees start from the commencement of the projects and up to the expiry of the defect liability period. Typically, a sizeable project may last up to 30 months for project implementation and has a defect liability period up to two years. This may result in part of our working capital being locked up for a prolonged period.

#### ***Our funding needs for financing the issue of performance guarantees***

As at 31 May 2017, approximately MOP15.4 million of our performance guarantee was obtained by utilising the banking facilities currently available to our Group. Taking into account our performance guarantees already taken out and our other bank borrowings, the unutilised banking facilities available to our Group amounted to approximately MOP19.6 million as at 31 May 2017.

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## BUSINESS

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Going forward, our Group intends to expand our scale of operation by seeking opportunities to undertake additional sizeable building and ancillary services projects of large-to-medium size with expected revenue contribution above MOP4.0 million to our Group. In pursuing these large-to-medium size projects, as in line with general industry practice in Macau, we expect that our potential customers (including established main contractors, governmental bodies and public utility companies in Macau) will require our Group to provide performance guarantee to secure our due performance of the projects. In light of the expected growth in the building and ancillary services market in Macau at a CAGR of 17.7% from 2017 to 2021 based on the Frost & Sullivan Report, our Directors consider that there will be continuous demands in the Macau construction industry to support the increase in number of potential large-to-medium size projects available for tendering or quotations by our Group in the foreseeable future.

Based on the unutilised banking facilities available to our Group of MOP19.6 million as at 31 May 2017, if we intend to compete for sizeable projects with similar scale to Project BA1 (which required performance guarantee up to approximately MOP24.2 million in total) in the future, this would mean that our current borrowing capacity could only support us in tendering for around one to two sizeable projects in the future. In addition, our Group may have to arrange for the issue of performance guarantees according to our customers' requirements for those projects in our backlog. As a result, if we obtain additional projects which have requirements for performance guarantees, there are risks that it would significantly reduce the financial resources potentially available for financing our daily operations and project costs, and hence may have an adverse impact on our liquidity and financing ability.

### ***Our current available cash resources***

As at 30 September 2017, our bank balances and cash amounted to approximately MOP53.6 million, as set out in the section headed "Financial information – Net current assets" in this prospectus.

As at 30 September 2017, we have current liabilities of approximately MOP38.1 million, including in particular trade and other payables of approximately MOP24.4 million. There can be no assurance that we will receive payments from our customers before we are required to settle the invoices of our subcontractors and suppliers and our other current liabilities. Therefore, our Directors consider that it is financially prudent for us to maintain immediately available cash that is not materially different from, or preferably greater than, our current liabilities at any point in time.

Furthermore, other risks set out in the section headed "Risk factors" in this prospectus may also lead to increased liquidity needs and/or needs for the use of immediately available cash, such as customers' defaults on payments, increase in salaries and wage of construction workers, and litigation and claims.

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Having considered all of the above including, in particular, our current financial position and scale of operation, our Directors consider that if we finance the issue of performance guarantee for future projects by fully utilising our current available cash resources without raising additional funding, it could lead to a significantly higher liquidity risk in case of any unforeseen circumstances. Therefore, our Directors consider that it is in the interest of our Company to retain our current available cash resources of approximately MOP40.5 million in the form of cash to meet our liquidity needs in case of any unforeseen circumstances.

### ***Cash flows from our operating activities***

In assessing our future financial resources available for financing our performance guarantees, our Directors have considered, among other factors set out elsewhere in this paragraph, our historical operating cash flow before movement in working capital. For FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our operating cash flow before movement in working capital amounted to approximately MOP19.1 million, MOP25.0 million, MOP30.8 million and MOP12.8 million respectively. Our current available financial resources discussed above have already included, among other things, cash flows generated from our operating activities in the past. In light of the fluctuation in our operating cash flow before movement in working capital during the Track Record Period, our Directors consider that such historical financial information is not a reliable indicator of the future financial resources available to us for financing our performance guarantees.

Future cash flows to be generated from our operating activities are not immediately available for the implementation of our business strategies. In addition, our Directors consider that there is no guarantee that future cash flows from our operating activities, once generated, can be immediately available for financing the issue of our performance guarantees due to factors such as the need to maintain a higher level of available cash resources to be in line with our scale of operation, payments of dividends (if any), and funding needed for further expansion upon the successful implementation of our business strategies. Therefore, our Directors consider that if we only rely on future cash flows from our operating activities for financing our business strategies (mainly including the issue of performance guarantee), there will be uncertainties in relation to (i) the timing of the generation of sufficient cash from our operation for our expansion plans; (ii) the need to constantly adjust our expansion plans in view of the amount of cash to be generated from our operation; (iii) the timing of the implementation of our business strategies; and (iv) the timing of capturing the growing demand for building and ancillary services market in Macau as stated in the Frost & Sullivan Report. Our executive Directors consider that it is not in the best interest of our Company to be exposed to the abovementioned uncertainties.

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## BUSINESS

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In addition, during the Track Record Period, our Group had received invitation to tender in respect of a project with awarded contract sum of approximately MOP476.9 million. Upon further negotiation with the main contractor after our tender submission, our Group was informed that a performance guarantee of MOP47.7 million was required to be provided by our Group as a prerequisite for awarding such project to us. With a view to preserving certain borrowing capacity for supporting our daily operations or any unforeseen adverse circumstances, our management decided that it was in our commercial interest not to continue to pursue such project from the main contractor.

In view of the aforesaid, if we decide to pursue additional large-to-medium size projects by fully utilising our banking facilities currently available, this would mean that our financial resources will be stretched to the limit, and, from a perspective of prudent financial management, our Directors do not consider this to be in interest of our Company.

As at the Latest Practicable Date, performance guarantee of approximately MOP36.7 million were given by bank in favour of our customers in relation to a total of 8 projects. In particular, as approximately MOP21.5 million of performance guarantee which relates to Project BA1 was not financed by the recurrent banking facilities of our Group, the release of such amount of performance guarantee will not free up any additional banking facilities available to us in the future.

Our unutilised facilities for performance guarantee as at the Latest Practicable Date were approximately MOP19.8 million which mean we cannot tender for projects amounting total more than approximately MOP198 million without (i) using our Group's other cash resources which have already been reserved for our daily operations (such as payment to subcontractors and suppliers and staff costs), or (ii) applying for extra facilities from the bank on a one-off basis (on top of the credit limit for our recurrent banking facilities).

While we may obtain extra facilities from the bank on a one-off basis for particularly sizeable projects (i.e. MOP21.5 million of the performance guarantee for Project BA1 was secured by a one-off banking facility, while the remaining MOP15.2 million was financed by our recurrent banking facilities), our Directors consider that reliance on using such one-off banking facility for financing the issue of our performance guarantee is not desirable because the bank's approval of our application for one-off facility would be dependent on the size and nature of the projects. Based on our Directors' past experience, banks would generally consider various factors when deciding to grant a one-off facility for financing the performance guarantee of a construction project, including (i) the contract sum of the project in proportion to the applicant's scale of operation; (ii) the expected duration of the project; (iii) the track record of the applicant in undertaking similar construction projects; and (iv) the background of the applicant's customer (being project employer or main contractor) and its length of business relationships with the applicant. As such, an application for one-off banking facility is typically approved by banks on a case-by-case basis, and hence there is no assurance that our Group could successfully obtain facility for our future projects on commercial terms acceptable to us, or at all.

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Given that our Group has received a number of tender invitations (which are stated below) and having considered the credit limit of our recurrent banking facility (i.e. MOP35 million) and the drawbacks of using one-off banking facility as mentioned above, our Directors are of the view that the proceeds from the Share Offer will enhance our working capital base, which, in turn, enable us to obtain a higher credit limit for recurrent banking facility (which is considered by us to be more preferable in financing the issue of performance guarantee).

Based on the expected timeframe for the release of our existing performance guarantees and our unutilised banking facilities as at 31 May 2017, our Group would only be able to tender for projects with total contract sum of approximately MOP198 million (equivalent to requirement for approximately MOP19.8 million of performance guarantee) as at the Latest Practicable Date. As our major targets of projects (as stated below) and other mid-size projects are estimated to have a total contract sum of approximately MOP470 million, which would require performance guarantee of MOP47 million. Therefore, in order to fill in the shortfall in the capital required for financing the performance guarantee of such projects, our Group estimated that an additional fund of MOP27.2 million would be needed by our Group.

The excess of approximately HK\$41.4 million (equivalent to approximately MOP42.7 million) of the net proceeds from the Share Offer over MOP27.2 million that would be needed by our Group for the performance guarantees needed for the below mentioned projects would be reserved for future tenders (where tender invitations have yet to be received in the coming year).

Moreover, the duration of sizeable projects generally last more than one year since the commencement of works. As such, our recurrent banking facilities utilised for financing the performance guarantee in respect of such projects would tend to be held-up for a prolonged period, which, in turn, would reduce our capacity to undertake multiple sizeable projects simultaneously.

In view of the aforesaid, with the approximately HK\$41.4 million (equivalent to approximately MOP42.7 million) of the net proceeds from the Share Offer to be used for financing for the issue of performance guarantees for future projects together with the approximately MOP19.8 million unutilised facilities available, our Group will be able to tender for projects with total amount of approximately MOP625 million.

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As at the Latest Practicable Date, our Group has received invitations and intended to tender for the following major projects which require as a condition of tender that the contractor shall take out performance guarantee issued by banks in favour of the potential customers:

<u>No.</u>	<u>Project nature</u>	<u>Contract sum</u>	<u>Percentage of contract sum required as performance guarantee</u>	<u>Amount of performance guarantee required</u>
1.	A new phase of casino development of Customer C mainly involving foundation associated works	Approximately MOP284.4 million	10%	Approximately MOP28.4 million
2.	Expansion development of a hotel resort in Macau	Approximately MOP71.3 million	10%	Approximately MOP7.1 million
3.	Road improvement works for the site boundary of a hotel and casino resort in Macau	MOP50.0 million	10%	MOP5.0 million
4.	Construction works of a foot-bridge	Approximately MOP30.0 million	10%	Approximately MOP3.0 million
5.	Improvement works for public electrical and mechanical systems	Approximately MOP20.0 million	10%	Approximately MOP2.0 million
6.	Expansion development of a hotel resort in Macau	Approximately MOP15.2 million	10%	Approximately MOP1.5 million

Having considered our Group's stable working relationship with the project employers and/or main contractors of these potential projects, our track record of delivering quality building and ancillary services based on our past projects with those project employers and/or main contractors, our capability to offer a wide spectrum of construction services and our strong project management capability, our Directors are confident about the likelihood and outcome of these tenders.



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If we do not secure any of the 6 targeted potential projects, subject to our capacity and resources level at the relevant time, cost effectiveness, complexity of the projects and the profitability of the projects, it is our strategy to tender for other alternative projects of comparable scales and utilise the unused net proceeds to finance the performance guarantee requirement. That said, there is no assurance that our Group will succeed in these tenders as stated in the section headed “Risk Factors – Risk relating to our business – Our revenue is mainly derived from projects which are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses” of this prospectus.

With the net proceeds from the Share Offer, our Directors consider that our Group is more likely to obtain additional banking facilities available to us, which in turn would enable us to arrange for the issue of performance guarantees for sizeable projects obtained in the future.

### 2. Acquiring additional machinery and equipment

Our capacity to carry out building and ancillary works for our customers depends largely on the availability of our machinery and equipment. We believe that our investment in machinery and equipment has placed us in a position to cater for building and ancillary works of different scales and complexity and to meet the expected growing demand in the construction industry in Macau in the foreseeable future. Therefore, we intend to acquire additional machinery and equipment including but not limited to 1 set of 90-ton crane, 5 sets of excavators, 3 sets of generators, 3 sets of hydraulic machines and other related machinery and equipment. Our Directors believe that the purchase of additional machinery will enable us to cope with our business development, strengthen our brand name and increase our overall efficiency, capacity and technical capability in performing building and ancillary works as well as our ability to cater for different needs and requirements of various customers.

#### *Our operational needs for acquiring additional machinery and equipment*

Our fleet of machinery and equipment mainly comprise (i) excavators and related equipment; (ii) crane and related equipment; and (iii) generators. The following table sets forth the expected useful life, average remaining useful life and average age of our major types of machinery and equipment:

	<u>Expected useful life</u>	<u>Average remaining useful life</u>	<u>Average age</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>
Excavators and related equipment	6	2.3	3.7
Crane and related equipment	6	3.8	2.2
Generators	6	2.8	3.2

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Our Directors consider that we have the operational needs in acquiring additional machinery and equipment for the following reasons:

- (i) as significant parts of our sizeable projects include either foundation associated works and/or hard landscaping works which involve the use of lifting machinery, we consider that it would save up the time required for the lifting operation and increase our overall operational efficiency if we could acquire an additional crane with relatively higher lifting capacity. In relation to the 1 set of 90-ton crane planned to be acquired by us, we have made general enquiries with our approved suppliers for the availability of leasing such model of crane from them. Based on the responses from our suppliers, crane model with 90-ton capacity is not currently available for long-term leasing. Therefore, our Directors consider acquiring such machinery will be the only viable option for our Group if we intend to have it for carrying out our future projects;
- (ii) although we are generally able to extend the usable life of our machinery with the standard repairs and maintenance carried out by our in-house mechanic staff, the operational efficiency of our machinery will unavoidably decrease over time due to normal tear and wear as well as aged parts and components. Therefore, in order to preserve our service capacity and minimise the risk of disruption caused by potential machinery breakdown, our Directors consider that it is in our interest to expand the scale of our machinery fleet and replace our aged machinery from time to time;
- (iii) depending on our labour resources and the availability of our machinery fleet, we have engaged subcontractors which are responsible for providing the relevant sites workers as well as the relevant machinery required for carrying the building works. Further, we have from time to time leased different types of machinery from our suppliers. As such, we are of the view that by acquiring additional machinery and equipment, together with expansion in our manpower, our Group reduce our needs for subcontracting services and machinery rental, and hence attain a high profit margin in our projects because a profit mark-up is generally factored in the fees charged by our subcontractors and suppliers. Further, our Directors consider that using more of our own labour resources and machinery in carrying out our projects would lead to better planning of work schedule with greater certainty as well as better management of our work progress and quality; and

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- (iv) in particular, our Directors intend to acquire, among others, 1 set of crane, 5 sets of excavators, 3 sets of generators and 3 sets of hydraulic machines. After conducting a comparative analysis between (i) the additional monthly depreciation expenses incurred for such machinery based on a straight-line method with six years of estimated useful live; and (ii) the monthly rental cost saved with reference to quotations obtained from lessors of the relevant machinery, our Directors consider that it is in the interest of our Group to purchase rather than to lease those machinery. The table below sets forth the estimated monthly rental cost saved and additional monthly depreciation expenses incurred from the acquisition of our major types of machinery:

<u>Type of machinery</u>	<u>Number of machinery</u>	<u>Approximate monthly rental cost</u>	<u>Approximate monthly depreciation expenses following the acquisition</u>
Crane	1	MOP180,000	MOP67,000
Excavators	5	MOP396,000	MOP138,000
Generators	3	MOP74,000	MOP17,100
Hydraulic machines	3	MOP53,000	MOP11,000
	<b>Total</b>	<b>MOP703,000</b>	<b>MOP233,100</b>

Based on the table above, the approximate monthly rental cost for the machinery, we intend 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 leasing the above machinery;

- (v) in particular, our Directors consider that our gross profit margin from the building and ancillary services segment rose steadily over the Track Record Period partly because we undertook more of our construction works with our in-house capacity in FY2015 and FY2016, as evidenced by (i) the decrease in our subcontracting charges; (ii) our continued investment in acquiring addition machinery; and (iii) the increase in the number of our project management staff and site workers, throughout the Track Record Period. As such, with the expansion in our machinery and manpower following the Listing, our Directors believe that the increase in our in-house capacity to carry out those construction works which were previously delegated to our subcontractors is likely to have a positive effect on our overall profitability in the future.

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### 3. Further strengthening our manpower

We consider a team of skilled manpower equipped with appropriate knowledge and experience in performing different types of building and ancillary works is crucial to our continuing success. Our Directors intend to execute our future additional projects by our direct labour resources to the extent possible without substantial use of subcontractor because our Directors consider that holding all else the same, the use of our own direct labour resources (compared to engaging subcontractors) would generally lead to a higher profit margin for our Group, as a profit markup is generally factored in the fees charged by subcontractors. Therefore, we intend to expand our labour resources by recruiting additional project management staff, engineering staff, electricians and site workers in order to cope with our business development and our planned purchases of additional machinery as mentioned above.

Currently, our Directors intend to recruit additional project management staff, mainly including: (i) project director with over 20 years of experience in the construction industry in Macau and/or Hong Kong; (ii) senior commercial manager with over 15 years of experience in tendering and quantity surveying; (iii) senior engineers with over 10 years of experience in the engineering fields and professional engineer qualifications; and (iv) mechanical supervisor who possess relevant licences for carrying out machinery maintenance and administration works with over 15 years of experience in undertaking similar types of works. We also intend to hire an additional site agent and 10 additional site workers for undertaking general building works and/or electrical and mechanical works.

Although the recruitment of site staff will increase our service capacity for carrying out site works, our Directors consider that it is crucial to maintain sufficient number of project management staff in order to provide adequate and timely advice to the site staff, to closely supervise the implementation of work safety measures on site, and to monitor the quality of works performed by these site staff. As part of our non-monetary consideration, our Group has intended to undertake a greater extent of our site works with our own staff and equipment as we could have a better control over our overall work schedule, manpower deployment and quality assurance. The planned expansion in our manpower and machinery will increase our in-house capacity for carrying out site works and reduce our needs for subcontracting services, which, in turn, will lower our subcontracting charges. Based on (i) the additional site agent and the site workers we plan to hire and the associated project management staff required for performing supervision; and (ii) the pricing of quotations obtained from our subcontractors, our Directors estimated that our cost saving from reduced subcontracting charges would be approximately MOP1.7 million annually. Furthermore, based on the additional machinery we plan to acquire, the cost saving of using our own additional machinery instead of the machinery provided by the subcontractors would be approximately MOP5.6 million annually.

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During the Track Record Period, we had engaged subcontractors from time to time to perform certain construction works (mainly including ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works). For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, we incurred subcontracting charges of MOP106.4 million, MOP83.6 million, MOP86.0 million and MOP33.0 million, representing approximately 57.2%, 57.4%, 60.6% and 55.0% of our direct costs for the corresponding period, respectively.

### **Our needs for an integral expansion plan**

As set out above, we currently intend to (i) acquire additional machineries; (ii) recruit additional staff; and (iii) increase our reserve for financing the issuance of performance guarantees for future project.

Our Directors consider that each of the aforesaid objectives in our expansion plan are complementary to each other and represent an integral initiative to strengthen our capacity so as to meet the growing demand in the construction industry in Macau in the foreseeable future. In particular, the success of our expansion depends on whether these objectives could be executed simultaneously in a coordinated and scheduled manner because we would only be able to fully utilise the machinery acquired if such acquisition is accompanied by (i) an expansion in our manpower; and (ii) our enhanced financial position in competing for more projects of larger contract sum, particularly those with performance guarantee requirements.

As the full implementation of our expansion plan would require a total sum of approximately MOP69.9 million, our Directors consider that we could not finance our expansion plan solely by our internal resources without adversely affecting our financial position and liquidity. Therefore, our Directors consider that it is necessary for our Group to raise external financing to ensure that the various objectives under our expansion plan can be carried out simultaneously.

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### DESCRIPTION OF OUR CONSTRUCTION SERVICES

#### Building and ancillary services

The major types of our building and ancillary services are set out below:

- Foundation associated works : They generally refer to ELS works, pile cap construction, piling works, construction of basement and other associated works (such as surveying, demolition and removal of building structures and construction of underground drainage). During the Track Record Period, we mainly delegated the ELS works to other subcontractors.
- Hard landscaping, alteration and addition works : They generally refer to (i) construction and fixing of concrete slabs, concrete bedding, plinths and walls, and steel structures and subsequent coating works on the surfaces such as floor tiling and waterproofing; and (ii) interior fitting-out works.
- Road works : They generally refer to (i) construction, improvement, demolition and modification of bases, beddings and surface layers in relation to carriageways, pedestrian pavement, footpaths and temporary site access; and (ii) installation of ancillary facilities (such as road signs).
- Water pipe works : They generally refer to installation, improvement, modification and maintenance of water pipelines, drainage and sewers.
- Electrical and mechanical works : They generally refer to installation, modification and maintenance of electrical cables, pipelines, cable tray and trunking, busbar system and other electrical components.
- Other ancillary building works : They generally refer to demolition of existing concrete structures, hoarding, structural works (such as construction of concrete structure for footbridge), and cleaning and removal of debris at the work sites.

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Our building and ancillary services are inter-related to one another and our projects generally required a mixture of different services, depending on the customers' needs and requirements for their construction projects. The lengths of our building and ancillary services projects during the Track Record Period ranged from around 1 month to 30 months.

### Emergency repair services

Our emergency repair services typically refer to our provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis. During the fixed contract term, we are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from electricity and water utility companies. Our emergency repair services generally involve repair services in relation to water pipelines and electricity networks.

### OUR CONSTRUCTION PROJECTS

#### Revenue by business segments

The following table sets forth a breakdown of our revenue by business segments during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Building and ancillary services	198,218	95.8	165,301	95.2	163,003	92.6	72,551	93.9	74,010	95.7
Emergency repair services	8,727	4.2	8,408	4.8	13,036	7.4	4,742	6.1	3,291	4.3
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

Our revenue decreased from approximately MOP206.9 million for FY2014 to approximately MOP173.7 million for FY2015. In spite of such decrease in revenue, our Directors are of the view that our business is sustainable due to the following:

- The decrease in our total revenue for FY2015 is mainly due to the decrease in revenue derived from our building and ancillary services from approximately MOP198.2 million for FY2014 to approximately MOP165.3 million for FY2015. As the substantial part of our works undertaken in relation to Project BA1, being our largest project completed during the Track Record Period (details of which are set out below in this section) in FY2014, we have recognised relatively less revenue from Project BA1 subsequently in FY2015 and FY2016. According to the Frost & Sullivan Report,

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driven by the growing demand for building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021. Therefore, our Directors consider that our building and ancillary services will be able to benefit from the projected growth in the coming years as stated in the Frost & Sullivan Report.

- As an integrated construction contractor in Macau capable of providing a wide spectrum of construction services as discussed in the section headed “Business – Description of Our Construction Services” in this prospectus, our Directors consider that our labour resources, self-owned machinery, technical know-how and industry experience can be equally applied in different types of building and ancillary services projects. As the substantial parts of our works under Project BA1 was completed in FY2014, our Group has greater service capacity in competing for, and undertaking more building and ancillary services projects in FY2015. In particular, the number of our building and ancillary services projects with awarded contract sum above MOP1.0 million increased from 3 for FY2014 to 17 for FY2015.
- The decrease in our total revenue in FY2015 did not have a materially adverse impact on our overall profitability during the Track Record Period, as shown by the increase in our gross profit from approximately MOP20.7 million for FY2014 to approximately MOP28.1 million for FY2015, and further increased to approximately MOP34.1 million for FY2016. Therefore, barring any unforeseen adverse circumstances, our Directors believe that our business model during the Track Record Period is sustainable in the future.
- As at the Latest Practicable Date, our backlog included 33 building and ancillary services projects with an aggregate outstanding contract sum of MOP184.3 million.
- Our Group has several competitive strengths as discussed in the section headed “Business – Competitive Strengths” in this prospectus, which, in the opinion of our Directors, allow us to gain long-term sustainability in respect of our businesses in the industry.



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### Revenue by project nature

During the Track Record Period, all of our Group's revenue was derived in Macau and our Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is Macau Government, while private sector projects refer to projects that are not within the public sector.

During the Track Record Period, our private sector projects mainly comprised (i) building and ancillary works (mainly including foundation associated works, hard landscaping, alteration and addition works and road works) related to hotel and casino resorts development; and (ii) emergency repair services projects related to infrastructure of electricity and water supply, while our public sector projects mainly comprised building and ancillary services projects in relation to public amenities and utilities (such as drains, sewers, carriageways and footpaths).

The following table sets forth a breakdown of our revenue by project nature during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>
Private sector	203,802	98.5	136,060	78.3	173,783	98.7	76,826	99.4	74,564	96.5
Public sector	3,143	1.5	37,649	21.7	2,256	1.3	467	0.6	2,737	3.5
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

### Revenue by our role

We undertook projects as both main contractor and subcontractor during the Track Record Period. In projects where we are engaged by other construction contractors, we regard our role as being their subcontractors, while for all other types of projects, we regard our role as being the main contractors. We mainly act as main contractor in public sector projects and other private sector projects awarded by electricity and water utility companies in Macau. In relation to hotel and casino development projects, we are generally engaged as subcontractor by main contractors employed by the relevant hotel and casino owners in the projects.

The following table sets forth a breakdown of our revenue by reference to our role in the projects during the Track Record Period:

	FY2014		FY2015		FY2016		Five months ended 31 May			
							2016		2017	
	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>
Main contractor	18,526	9.0	66,829	38.5	29,650	16.8	9,132	11.8	7,942	10.3
Subcontractor	188,419	91.0	106,880	61.5	146,389	83.2	68,161	88.2	69,359	89.7
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

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### Our building and ancillary services projects

#### *Revenue from building and ancillary services projects by category of project employers*

The following table sets forth a breakdown of our revenue generated from our building and ancillary services projects by reference to the category of project employers during the Track Record Period:

Category of project employers	FY2014		FY2015		FY2016		Five months ended 31 May			
	MOP'000	%	MOP'000	%	MOP'000	%	2016		2017	
							MOP'000	%	MOP'000	%
Hotel and casino resort owners	191,717	96.7	112,658	68.2	140,800	86.4	63,208	87.1	67,881	91.7
Electricity and water utility companies and the Macau Government	4,452	2.2	45,892	27.8	10,797	6.6	1,621	2.2	4,565	6.2
Others	2,049	1.1	6,751	4.0	11,406	7.0	7,722	10.7	1,564	2.1
<b>Total</b>	<b>198,218</b>	<b>100.0</b>	<b>165,301</b>	<b>100.0</b>	<b>163,003</b>	<b>100.0</b>	<b>72,551</b>	<b>100.0</b>	<b>74,010</b>	<b>100.0</b>

Projects awarded to us by hotel and casino resort owners or their main contractors comprised (i) foundation associated works; (ii) hard landscaping, alteration and addition works in relation to certain outdoor areas (such as podium garden) and interior parts of existing buildings (such as shopping malls); (iii) road works in relation to footpaths, pedestrian pavement, carriageways and surrounding areas; and (iv) electrical and mechanical works in relation to electric cables and pipelines.

Projects awarded to us by electricity and water utility companies and the Macau Government or their main contractors comprised (i) construction, pavement or modification of carriageways, pedestrian pavement and footpaths; (ii) installation and maintenance of drains and sewers, mainly in relation to water pipelines; and (iii) electrical and mechanical works in relation to electric cables and pipelines.

Projects awarded to us by other types of project employers (including a food catering group, residential property owners and educational institutions) or their main contractors comprised (i) foundation associated works; (ii) electrical and mechanical works; and (iii) repair and maintenance works on existing roads and buildings.

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***Building and ancillary services projects awarded to our Group during the Track Record Period***

The following table sets forth a breakdown of the building and ancillary services projects awarded to our Group during the Track Record Period by range of awarded contract sum:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<b>Five months ended 31 May 2017</b>
<u>Awarded contract sum</u> <i>(Note)</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Above MOP20,000,000	–	2	4	–
Above MOP10,000,000 to MOP20,000,000	–	2	1	1
Above MOP1,000,000 to MOP10,000,000	3	13	9	3
MOP1,000,000 or below	<u>48</u>	<u>25</u>	<u>43</u>	<u>7</u>
<b>Total</b>	<u>51</u>	<u>42</u>	<u>57</u>	<u>11</u>

*Note:* The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial agreement entered into between our Group and our customers.

The following table sets forth a breakdown of the building and ancillary services projects awarded to our Group during the Track Record Period by reference to the category of project employers:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<b>Five months ended 31 May 2017</b>
<u>Category of project employers</u>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Hotel and casino resort owners	18	19	24	3
Electricity and water utility companies and the Macau Government	22	17	26	6
Others	<u>11</u>	<u>6</u>	<u>7</u>	<u>2</u>
<b>Total</b>	<u>51</u>	<u>42</u>	<u>57</u>	<u>11</u>

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***Building and ancillary services projects completed by our Group during the Track Record Period***

The following table sets forth a breakdown of our building and ancillary services projects completed by our Group during the Track Record Period by range of accumulated revenue recognised:

<u>Accumulated revenue recognised</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<b>Five months ended</b> <u>31 May 2017</u>
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Above MOP3,000,000	–	8	2	3
Above MOP1,500,000 to MOP3,000,000	1	2	3	–
Above MOP1,000,000 to MOP1,500,000	1	2	5	–
Above MOP500,000 to MOP1,000,000	4	2	3	1
MOP500,000 or below	<u>41</u>	<u>24</u>	<u>41</u>	<u>7</u>
<b>Total</b>	<u><u>47</u></u>	<u><u>38</u></u>	<u><u>54</u></u>	<u><u>11</u></u>

The following table sets forth a breakdown of our building and ancillary services projects completed during the Track Record Period by reference to the category of project employers:

<u>Category of project employers</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<b>Five months ended</b> <u>31 May 2017</u>
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Hotel and casino resort owners	17	18	17	5
Electricity and water utility companies and the Macau Government	19	17	28	4
Others	<u>11</u>	<u>3</u>	<u>9</u>	<u>2</u>
<b>Total</b>	<u><u>47</u></u>	<u><u>38</u></u>	<u><u>54</u></u>	<u><u>11</u></u>

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The following table sets forth the building and ancillary services projects completed by our Group during the Track Record Period with accumulated revenue recognised above MOP4.0 million in descending order:

Project	Project type	Major scope of works	Location	Project period	Awarded contract sum <sup>(Note)</sup>	Revenue recognised				Accumulated revenue recognised during the Track Record Period
						FY2014	FY2015	FY2016	Five months ended 31 May 2017	
						MOP million	MOP million	MOP million	MOP million	
				Months	MOP million	MOP million	MOP million	MOP million	MOP million	MOP million
BA1	Private	Construction of basement, ELS works and other associated services	A hotel and casino resort at Cotai City, Macau	30 months	202.0	186.7	77.0	58.0	-	321.7
BA2	Public	Road works and water pipe works	Carriageways and sewers located at Sai Van Lake, Macau	6 months	31.1	-	31.8	1.5	-	33.3
BA3	Private	Pile cap construction, ELS works, construction of basement and other associated services such as construction of underground drainage structure	A cross-border industrial area between Macau and Zhuhai, the PRC	9 months	13.5	-	6.0	9.3	-	15.3
BA4	Private	Road works	A hotel and casino resort at Cotai City, Macau	1 months	9.3	-	9.3	-	-	9.3
BA5	Private	Construction works of concrete structure for footbridge	A hotel and casino resort at Cotai City, Macau	5 months	2.3	-	3.0	3.0	-	6.0
BA6	Private	Interior alteration and addition works	A hotel and casino resort at Cotai City, Macau	6 months	2.6	-	5.6	-	-	5.6
BA7	Private	Electrical and mechanical works	Residential and commercial development at Taipa, Macau	5 months	3.4	-	-	1.2	4.1	5.3
BA8	Private	Road works	A hotel and casino resort at Cotai City, Macau	5 months	5.3	-	4.9	-	-	4.9
BA9	Private	Road works	A hotel and casino resort at Cotai City, Macau	5 months	4.8	-	4.8	-	-	4.8
BA10	Private	Road works	A hotel and casino resort at Cotai City, Macau	2 months	4.6	-	4.3	-	-	4.3
BA11	Private	Electrical and mechanical works	A hotel and casino resort at Avenida da Amizade, Macau	6 months	1.0	-	-	3.2	0.8	4.0

*Note:* The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial agreement entered into between our Group and its customers.

In relation to Project BA1, during the Track Record Period, our revenue recognised (MOP321.7 million) as shown in the table above is mainly attributable to (i) our contracts works undertaken pursuant to the pre-agreed schedule under the subcontract of approximately MOP143.7 million; and (ii) variation orders placed from time to time by Customer A of approximately MOP178.0 million mainly in relation to additional ELS work and hard landscaping works which were not specified in the original contract with Customer A. In particular, a substantial portion of the variation orders for additional ELS works and hard landscaping works were related to another work site adjacent to the original work site specified under the original contract with Customer A. As Customer C planned to set up an extended zone for its hotel and

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casino resort after the commencement of the main works of Project BA1, additional ELS works and hard landscaping works are required for new work site where the extended zone is located prior to the construction of building and other structures at the new zone. Customer A (the main contractor) had, in turn, engaged us to carry out such site preparatory works by placing variation orders with us. Our Directors confirmed that in sizeable hotel and casino development projects, it is not uncommon that project owners would require additional works (such as construction of additional public roads and pathways) throughout project implementation as their construction planning comes to a more advanced stage.

### ***On-going building and ancillary services projects as at the Latest Practicable Date***

As at the Latest Practicable Date, we had 33 on-going building and ancillary services projects. The following table sets forth the details of our on-going building and ancillary services projects as at the Latest Practicable Date with awarded contract sum above MOP4.0 million:

Project	Project type	Major scope of works	Location	Commencement date	Expected completion date	Awarded contract sum (Note 1)	Accumulated revenue recognised up to 31 May 2017	Outstanding contract sum as at 31 May 2017 (Note 2)	Accumulated revenue recognised up to the Latest Practicable Date	Outstanding contract sum as at the Latest Practicable Date (Note 3)	Estimated remaining revenue to be recognized in FY2017	Estimated remaining revenue to be recognized in FY2018
						MOP million	MOP million	MOP million	MOP million	MOP million	MOP million	MOP million
BA12	Private	ELS works, pile cap construction, piling works, construction of basement and other associated works such as surveying, removal of building works and construction of underground draining	A hotel and casino resort at Cotai City, Macau	November 2016	March 2018	72.5	29.1	43.4	38.6	33.9	2.5	31.4
BA13	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	August 2016	February 2018	34.9	27.7	7.2	34.5	0.4	0.4	-
BA14	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	October 2016	April 2018	32.7	15.2	17.5	18.6	14.1	4.6	9.5
BA15	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	February 2016	February 2018	25.0	22.0	3.0	22.0	3.0	1.0	2.0
BA16	Private	Construction of concrete structure for footbridge	A footbridge at Fai Chi Kei, Macau	February 2017	December 2017	12.6	1.3	11.3	12.0	0.6	0.6	-
BA17	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	June 2016	February 2018	11.5	8.3	3.2	9.1	2.4	2.4	-
BA18	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	April 2016	February 2018	10.1	8.0	2.1	8.0	2.1	0.7	1.4
BA19	Private	Refurbishment works on surface of building structure	Ilha Verde, Macau	March 2017	December 2017	7.7	2.7	5.0	7.7	-	-	-
BA20	Private	Piling works	A hotel and casino resort at Cotai City, Macau	September 2017	March 2018	37.2	-	-	0.8	36.4	1.3	35.1
BA21	Private	Tower pile cap works	A hotel and casino resort at Cotai City, Macau	November 2017	January 2018	34.1	-	-	-	34.1	8.0	26.1
BA22	Private	Pre-stressed concrete piling works & removal of existing sheet piling	A hotel and casino resort at Cotai City, Macau	October 2017	January 2018	24.5	-	-	2.5	22.0	5.4	16.6
BA23	Private	Water pipe works and road work	Fai Chi Kei, Macau	September 2017	February 2018	7.7	-	-	-	7.7	5.8	1.9
BA24	Private	Water pipe works	Largo Tam Kong Miu, Macau	October 2017	May 2018	7.4	-	-	-	7.4	3.0	4.4
BA25	Private	Road works	Macau Peninsula and new reclamation area, Macau	August 2017	December 2017	5.0	-	-	-	5.0	5.0	-

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*Note:*

1. The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial agreement entered into between our Group and its customers.
2. “Outstanding contract sum as at 31 May 2017” means the difference in the awarded contract sum and accumulated revenue recognised up to 31 May 2017.
3. “Outstanding contract sum as at the Latest Practicable Date” means the difference in the awarded contract sum and accumulated revenue recognised up to the Latest Practicable Date.

### **Backlog**

The following table sets forth the movement of our building and ancillary services projects by number during the Track Record Period:

	FY2014	FY2015	FY2016	Five months ended 31 May 2017
<b>Opening number of projects at the beginning of the period <sup>(Note 1)</sup></b>	5	9	13	16
<b>Add: Number of new projects <sup>(Note 2)</sup></b>	51	42	57	11
<b>Less: Number of completed projects <sup>(Note 3)</sup></b>	47	38	54	11
<b>Closing number of on-going projects as at the end of the period <sup>(Note 4)</sup></b>	9	13	16	16

*Notes:*

1. “Opening number of projects as at the beginning of the period” means the number of projects where the stage of projects had not reached practical completion as at the beginning of the relevant period.
2. “Number of new projects” means the number of projects awarded to us during the relevant period.
3. “Number of completed projects” means the number of projects where the stage of projects had reached practical completion as at the end of the relevant period.
4. “Closing number of on-going projects as at the end of the period” means the number of projects where the stage of projects had not reached practical completion as at the end of the relevant period.

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The following table sets forth the movement of our building and ancillary services projects by revenue during the Track Record Period:

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Five months ended 31 May 2017</b>
	<i>MOP million</i>	<i>MOP million</i>	<i>MOP million</i>	<i>MOP million</i>
<b>Opening value of backlog as at the beginning of the period</b>	180.8	139.4	132.2	167.3
<b>Add: Total value of new projects and variation orders awarded</b> <i>(Note 1)</i>	156.8	158.1	198.1	28.5
<b>Less: Revenue recognised</b>	198.2	165.3	163.0	74.0
<b>Closing value of backlog as at the end of the period</b> <i>(Note 2)</i>	139.4	132.2	167.3	121.8

*Notes:*

1. “Total value of new projects and variation orders awarded” means the aggregated awarded contract sum of the new projects awarded to our Group during the relevant period and, where applicable, the aggregated sum of variation orders from customers.
2. The portion of value for on-going projects which had not been recognised during the relevant period is deemed to be part of the value of our backlog for the following period.

### **Our emergency repair services**

#### ***Emergency repair services awarded to our Group during the Track Record Period***

For FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our Group had been awarded 1, 2, 4 and 1 emergency repair services contracts.



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### ***On-going emergency repair services projects as at the Latest Practicable Date***

As at the Latest Practicable Date, our Group had 2 on-going emergency repair projects, details of which are set out in the following table in descending order by sum of the basic monthly fees:

<u>Project</u>	<u>Scope of standard services</u>	<u>Services term</u>	<u>Basic monthly fees</u> <i>(Note)</i>
ER1	Repair service for electricity transmission network	From 1 January 2017 to 31 December 2018	MOP250,000
ER2	Repair and maintenance service for lighting network	From 1 July 2016 to 30 June 2018	MOP36,000

*Note:* The basic monthly fees does not take into account any extra fees to be charged for ad hoc items of repair and associated services if so requested by our customers.

## **OPERATING PROCEDURES**

### **Building and ancillary services**

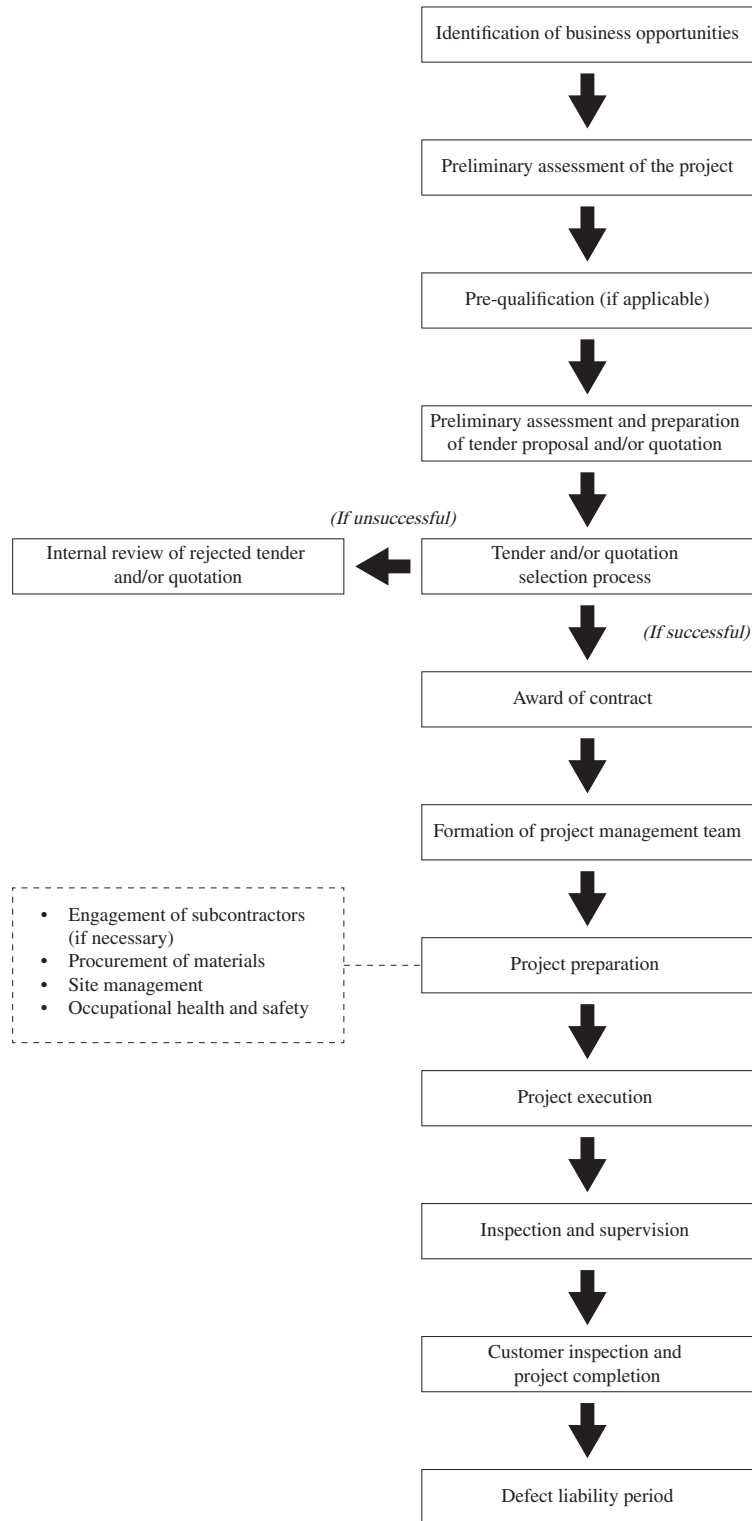
Duration of our projects are affected by a wide range of factors including the size of the contract, technical complexity, input of machines and labour and expectation of project employers or their main contractors. The expected project durations and completion times are stated in the contract entered into between us and our customers. The project duration is approximately 1 month to 30 months for our building and ancillary services, depending on the above factors.

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For illustrative purposes, the following chart sets forth key stages of our operating flow which generally applies to our building and ancillary services projects:



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### ***Identification of business opportunities***

We generally identify our projects through (i) gazettes or websites on which tender invitations from different government departments are published; and (ii) invitation for quotation or tender by existing or potential customers or their external consultants (if any).

We typically obtain our contracts through a competitive tendering process of the project employers or their main contractors. Alternatively, we may obtain through direct invitation for quotation from customers where our customers intend to engage us to carry out new construction works which are associated with the existing works that we undertake for them in adjacent areas.

For one of our projects during the Track Record Period, namely Project BA1, the main contractor was instructed by the relevant property employer to engage us as the nominated subcontractor for undertaking building and ancillary works. For further details, please refer to the section headed “Business – Customers – Characteristic of Our Customers” in this prospectus.

### ***Preliminary assessment of the project***

Before submitting the tender or quotation, we collect information of the project from the potential customers, the tender documents and/or relevant websites where details of such project are posted. The invitation for tender or quotation generally includes, among other things, brief description of the works required, expected commencement date and contract period, drawings and specifications, and timeframe for submitting the tender or quotation. The level of details of such information can vary widely. For some of our customers, we will be given a full set of construction plans along with supporting documents and schedule of rates, while other customers may only provide preliminary information such as the nature of work required and the approximate scale of the project.

In determining whether to pursue a potential construction project, we conduct an internal assessment on the feasibility to undertake such project based on a review of various factors, including the technical requirements, project size and commencement date, the estimated cost and profit of the construction project, the availability and capacity of our manpower and financial resources, the expertise and qualification required for the construction project, as well as the prevailing market conditions.

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### ***Pre-qualification (if applicable)***

We generally receive invitations for tender or quotation from our customers. For new potential customers, we may be required to fulfil certain pre-qualification requirements. Such pre-qualification requirement sets out the standards for the customers to assess our eligibility which generally includes our background and organisation chart, financial resources, manpower and resources, quality assurance policy, safety and environmental protection plan, work experience, job reference and recommendation letters. If we pass such pre-qualification screening, we generally receive their invitations for tender or quotation when new projects are available from them for bidding.

### ***Preliminary assessment and preparation of tender proposal and/or quotation***

For preparing a tender submission and/or quotation, we first form a tendering team generally comprising a quantity surveyor, an engineer, a project manager and a site agent. Our tendering team will then conduct a site visit to the place at which the project is to be undertaken so as to have a better assessment of the complexity of the works involved and be able to recommend the work implementation in a more efficient and cost-effective manner.

After the site visit, our tendering team will conduct a detailed analysis of the proposed construction project including the nature of the construction project, size, location, the scope of works, the design and specifications and quality standard, the technical and material requirements, construction equipment and machinery to be deployed, the manpower required, the project schedule, the availability of resources, historical fees we received for similar projects, the performance guarantee requirements (where applicable) and the risks assessments.

Our procurement department may obtain non-binding quotations from our subcontractors and suppliers of materials to facilitate our cost estimation and budgeting. We will work out the composition of team members for the project. Our tendering team will then propose the manpower, materials and equipment required for the project. Our senior management team will go through cost analysis based on our tendering team's proposal which will then be submitted to an executive Director for approval. After the analysis is approved, we will put together a draft tender proposal or quotation, and make cost adjustments where necessary based on our past experience, recent industry information and prevailing market conditions.

Our draft tender proposal or quotation may include information on our Group and team profile, construction methods as well as a schedule of rates which primarily includes the rates charged for each type of works on unit basis. Our draft tender proposal or quotation must be approved by an executive Director before submission.

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### *Tender and/or quotation selection process*

For sizeable projects, we may be required to attend interviews to answer queries or clarify our submission, and to negotiate and finalise the terms of the contract.

The following table sets forth a breakdown of the building and ancillary services projects awarded to our Group during the Track Record Period by project types:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<b>Five months ended 31 May 2017</b>
Number of tenders and quotations submitted	103	94	102	38 <sup>(Note)</sup>
Number of unsuccessful tenders and quotations	49	46	41	8
Number of building and ancillary services projects awarded	51	42	57	11
Number of tenders and quotations pending results as at the end of the relevant financial year/ period	3	6	4	19
Success rate (%)	49.5	44.7	55.9	28.9 <sup>(Note)</sup>

*Note:* Our Directors consider that the decrease in the tenders and quotations success rate for the five months ended 31 May 2017 was mainly because, among these 38 tenders and quotations submitted during the period, the results of 19 projects were pending as at 31 May 2017. If our Group subsequently is awarded with any of these 19 projects, such project(s) will be recorded as project(s) awarded after 31 May 2017.

Our Directors consider that the overall success rate of our tenders and quotations during the Track Record Period has been satisfactory in general.

The following table sets forth a breakdown of our revenue derived from building and ancillary services projects during the Track Record Period through submission and tender and quotation:

	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<b>Five months ended 31 May 2017</b>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Projects awarded through submission of tender	192,969	138,934	138,124	58,235
Projects awarded through submission of quotation	<u>5,249</u>	<u>26,367</u>	<u>24,879</u>	<u>15,775</u>
	<u>198,218</u>	<u>165,301</u>	<u>163,003</u>	<u>74,010</u>

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We may from time to time respond to customers' invitations by submitting quotations/tenders after taking into account our pricing strategy instead of turning them down. Our Directors believe such strategy allows 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.

### ***Award of contract***

If we are successful with our tender or quotation, our customers generally award the contract to us by way of a letter of intent or letter of award. To formalise the terms of the contract, we may then enter into a construction contract based on our tender submission or quotation. Our project manager will lead discussions between our internal departments and our customers. The negotiated terms of our construction contracts must be approved by an executive Director before execution.

The principal terms of our construction contract typically include (i) the duration of the project which varies according to the scale and complexity of the construction works; (ii) the scope of works; (iii) the technical requirements and specifications; (iv) the material specifications; (v) the contract sum; (vi) the amount of retention money; (vii) the payment terms; and (viii) each party's responsibilities.

### ***Formation of project management team***

We will set up a project management team. We usually select our project management team based on the relevant qualifications, technical skills and industry experience of our personnel. Depending on the type of project and its scale and complexity, our project management team typically consists of a project manager, a site agent, a safety officer, an engineering staff and a quantity surveyor.

The project manager is responsible for the overall management of the construction project, including liaising and communicating with our customers and other external parties (including our subcontractors), making request for procurement of materials, coordinating and providing guidance to the other team members and site workers and reviewing site records prepared by the site agent. The site agent is responsible for the technical aspects of the construction project and participating in regular quality inspections. The safety officer is responsible for overseeing the implementation of site safety measures as well as ensuring environmental compliance of the construction site. The project management team conducts regular inspections to monitor the progress and quality of our construction projects.

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### ***Project preparation***

Upon execution of the contract, we will commence to plan for the allocation of necessary manpower resources, materials and equipment and machinery required, depending on the type of project we undertake. Our human resources department is responsible for assigning work tasks to the required personnel.

Our procurement department is responsible for arranging for the purchase of required materials, and the leasing of relevant equipment and machinery from our suppliers who have previously provided us the competitive quotations during the preparation of our tender submission or quotation. Please refer to the section headed “Business – Suppliers” in this prospectus for further details.

Depending on the contract terms agreed with our customers, construction materials may be procured by us on our own account or provided by our customers to us at our cost. In certain cases, there was contra-charge arrangement where we purchased certain construction materials from some of our customers during the Track Record Period, details of which are disclosed in the section headed “Business – Customers – Top Customer Who Was also Our Supplier” in this prospectus. If construction materials are to be procured by us on our own account, we will generally place orders directly with our suppliers. If the works involved further subcontractors engaged by us, the costs of materials will be borne by our subcontractors.

Depending on the availability of internal resources, and the scale and complexity of the construction project, we may also engage third party subcontractors to carry out certain types of construction works. Please refer to the section headed “Business – Subcontractors” in this prospectus for further details.

### ***Project execution***

We commence construction works in accordance with the schedule and timeline as stipulated in our construction contract. Throughout the construction process, we hold regular meetings and conduct weekly inspections to assess the status of the construction project and ensure that we strictly adhere to the construction schedule as stipulated in the construction contract.

Our project management team also communicates frequently and participate in project meetings if necessary with our customers and subcontractors to assess and review the progress of the projects and to identify and resolve any problem or issue which may arrive during the course of carrying out site works.

Throughout the project execution, interim payment is made to us by our customers based on our works done. For further details of the payment terms, please refer to the section headed “Business – Customers – Salient Terms of Engagement” in this prospectus.

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In our building and ancillary services projects, we undertook parts of the core operation process, as well as the overall management of the project which involves delegation and coordination of other subcontractors to perform other relevant works (mainly including ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works).

### ***Inspection and supervision***

We have established project management and control procedures and conduct our construction works in accordance with such procedures to ensure that we comply with the construction contract requirements as well as the applicable legal requirements. Our site agent is responsible for inspecting field works, assisting our project manager to monitor work progress on site, and preparing site inspection reports for our internal records in accordance with our quality control policies. The site inspection reports are passed to our project manager for review.

Our engineering staff are responsible for overseeing the procured materials on-site and supervising the technical aspects of construction works conducted by our labour and our subcontractors. Our executive Directors also closely monitor the progress of the project on a continuous basis to ensure that we can fulfil the project timeline and complete the project within budget. In addition, we hold progress meeting with our customers throughout the project to keep our customers informed of our projects status and any major issues identified during project execution.

Our quantity surveyor is responsible for inspecting the work progress on site and preparing payment application. Our quantity surveyor is also required to update our project manager with the latest certified progress from our customers. For details about the payment arrangement with our customers, please refer to the section headed “Business – Customers – Credit Policy” in this prospectus.

### ***Customer inspection and project completion***

Upon completion of the construction works, our project management team conducts a final inspection of the works. Our customers, or usually an external consultant engaged by our customers, will then conduct inspection on the project. From time to time, we may rectify any deficiencies that we identified during the project implementation or our customers may require us to make certain modifications upon inspection. Upon passing the inspection, we will receive notifications or completion certificates issued by our customers for certifying the completion and delivery of the project.



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### ***Variation orders***

Our customer 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 addition, modification or cancellation of certain contract works.

The value of the variation order is generally agreed upon by us and our customers based on negotiation on case-by-case basis. A variation order will usually be notified to us by way of a letter from our customer describing the detailed works to be carried out as a result of such variation order.

### ***Defect liability period***

We are generally required to provide defect liability period under our contract. The defect liability periods generally run for a period of one to two years following the completion of the project, depending on the type of works we undertake. During the defect liability period, we are responsible to repair or rectify any defects or sub-standard construction work we undertook or the associated rectification cost or damages suffered by our customers.

Our customers are generally entitled to retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money to secure our due performance of the project. Generally, 50% of retention money is released to us upon practical completion of a project, and the remaining 50% will be released to us upon expiration of the defect liability period. Alternatively, in certain projects, all of the retention money is released to us only upon expiration of the defect liability period.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any request from our customers for making good of defect or imperfection in our works in any material aspects.

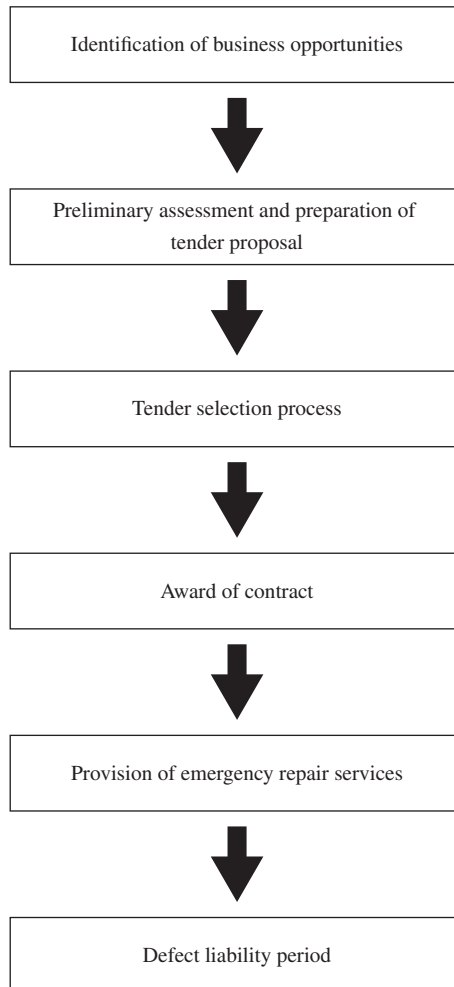
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### Emergency repair services

For illustrative purposes, the following chart sets forth key stages of our operating flow which generally applies to our emergency repair services projects:



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Most of the operating procedures of an emergency repair services project are similar to that of projects for building and ancillary services, while it involves the additional or distinct features as set out below:

### ***Award of contract***

If we are successful with our tender, our customers generally award the contract to us on a term contract basis by way of a letter of award. To formalise the terms of the contract, we then enter into a construction contract based on our tender submission. Our project manager will lead discussions between our internal departments and our customers. The negotiated terms of our construction contracts must be approved by an executive Director before execution.

The principal terms of our emergency repair services contract typically include (i) the fixed service term of the project; (ii) the scope of works; (iii) the technical requirements and specifications; (iv) the material specifications; (v) the basic monthly fees; (vi) the schedule of rates in relation to ad hoc items of repair and associated services if so requested by our customers; (vii) the amount of retention money; (viii) the payment terms; and (ix) each party's responsibilities.

### ***Provision of emergency repair services***

During the fixed contract term, we are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from our customers. The scope of our standard services mainly include (i) providing certain basic repair services (such as rectifying defects in relation to electricity cables or water pipelines); (ii) reserving the specified number and type of manpower for carrying the repair services on a full-time basis; and (iii) ensuring our services are in compliance with the specifications set out in the contract.

If so requested by our customers, we also provide ad hoc repair and associated services which will be charged individually according to the agreed schedule or rates in the contracts. The scope of such ad hoc repair and associated services mainly include (i) lifting up, removal and reinstatement of road pavements; (ii) excavation and removal of residue materials; and (iii) supply and installation of cables, electricity pipelines and/or water pipelines.

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### *Defect liability period*

We are generally required to provide defect liability periods on our emergency repair services projects. The defect liability periods generally run for a period of six months to two years following the expiry date of the contract term, depending on the types of works undertaken. During the defect liability period, we are responsible to repair or rectify any defects or sub-standard construction work we undertook. Our customers generally retain a retention money which represents 10% of the basic monthly fees. The retention money will generally be returned to us in full upon expiry of the defect liability period.

### **SALES AND MARKETING**

During the Track Record Period, we secured new businesses mainly through direct invitation for tender or quotation by customers. Our Directors consider that due to our proven track record and our established relationship with our existing customers, we are able to leverage our existing customer base, reputation and our years of experience in different types of construction projects such that we do not rely heavily on marketing and promotional activities. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential business opportunities.

### **CUSTOMERS**

#### **Characteristics of our customers**

Our customers mainly include (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; and (iii) the Macau Government. During the Track Record Period, all of our customers were located in Macau and our revenue were denominated in MOP or Hong Kong dollars.

For one of our projects during the Track Record Period, namely Project BA1, the main contractor (namely Customer A as described below) was instructed by the project employer (namely Customer C as described below) to appoint us as the nominated subcontractor for undertaking building and ancillary works. Where we were selected and nominated by the project employer as a nominated subcontractor, we entered into a subcontract with the main contractor of the project employer. The scope of work, term and price of the services to be provided by our Group was pre-negotiated with the project employer.

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### Salient terms of engagement

#### *Building and ancillary services*

We provide building and ancillary services to our customers on a project-by-project basis instead of entering into long-term contracts. Our Directors consider that such arrangement is in line with the industry practice in Macau. The terms of each contract entered into between our Group and its customers vary for different projects, but the salient terms of a typical project contract are shown below:

Scope of work	The scope of services and type of works to be carried out by our Group are specified in the project contract. The contract may also include the product specifications and requirements as set out by the customers.
Duration of contract	Our Group shall follow the pre-determined work schedule as specified by the customers. The period of a project typically starts from the date when we are allowed to commence work at the construction site. 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.
Contract sum	<p>Our Group's project contracts are lump sum fixed price contracts in which the contract payment will be based on a fixed contract sum agreed in the contract for carrying out the whole of the works as specified in the specification, drawings and technical requirements of the customers and no re-measurement will be conducted except for works done pursuant to variation order issued by customers.</p> <p>There is no specific clauses in relation to price adjustment in our contracts with our customers.</p>
Variation order	<p>For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our revenue attributable to variation orders amounted to approximately MOP43.3 million, MOP81.1 million, MOP67.9 million and MOP3.2 million, respectively, representing approximately 20.9%, 46.7%, 38.6% and 4.1% of our total revenue, respectively. Our Group has not experienced any major disputes with our customers on the amount of variation orders during the Track Record Period and up to the Latest Practicable Date.</p> <p>For further details regarding the variation orders, please refer to the section headed "Business – Operating Procedures – Building and Ancillary Services" in this prospectus.</p>

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Insurance	<p>In projects where our Group acts as main contractors, our Group is generally responsible for taking out all necessary insurances for itself and its subcontractors, such as employees' compensation, contractors all risk insurance and third party liability insurance. In other projects where our Group acts as subcontractor, it is generally the obligations of the relevant main contractor or project employer to take out the aforesaid insurances policies.</p>
Performance guarantee	<p>For some of the project contracts, our Group is required to provide a performance guarantee generally equivalent to approximately 5% to 10% of the total contract sum issued by banks in favour of the customer as security for the due performance and observance of our Group's obligations under the relevant project. The performance guarantees are normally released upon completion of the project.</p> <p>When arranging with banks for the issuance of performance guarantees in favour of our customers, we may be required to place a pledged deposit with the banks. We would take out performance guarantees only if it is required by our customer in accordance with the contract terms.</p> <p>During the Track Record Period, none of our performance guarantees had been enforced by our customers by reason of non-performance of any of the contracts undertaken by us.</p>
Payment terms	<p>For details regarding the payment terms, please refer to the section headed "Business – Customers – Credit Policy" in this prospectus.</p>
Construction materials procurement	<p>In some of our projects, the contract includes a clause stating that our customer may procure certain specified construction materials for and on behalf of us at prices agreed and specified in the contract. In this context, if we choose to purchase construction materials from the customer, we would regard such customer as our supplier of the relevant construction materials, further details of which are discussed in the section headed "Business – Customers – Top Customer Who Was also Our Supplier" in this prospectus.</p>

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Occasionally, some of the project employers may require us to source certain raw materials from their designated suppliers, further details of which are discussed in the section headed “Business – Suppliers” in this prospectus.

**Defect liability period** For details regarding our defect liability period, please refer to the section headed “Business – Operating Procedures – Building and Ancillary Services” in this prospectus.

**Liquidated damages** Some of our contracts include a liquidated damages clause to protect our customers against any late completion of works. We may be liable to pay liquidated damages to our customers if we are unable to meet the time schedules specified in the contracts and/or extended time granted by the customers.

Liquidated damages are typically calculated on the basis of a fixed sum per day, a fixed proportion of the total contract sum and/or according to certain damages calculating mechanism as stipulated under the contract on a daily basis.

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** Pursuant to most of our contracts, we shall indemnify our customers against all liabilities for bodily injury, damage to property, penalties, proceedings, damages, cost, charges and expenses which may arise out of or in connection with execution of our work being in breach of any applicable laws or regulation, unless the aforementioned liabilities or claims are caused solely by the wrongful acts or omissions of our customers.

Our Directors confirm that we had not experienced any material claims by our customers arising from breach of contracts during the Track Record Period and up to the Latest Practicable Date.

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Retention money                      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. Generally, 50% of retention money is released to us upon completion of a project and the remaining 50% will be released to us upon expiration of the defect liability period. Alternatively, in certain projects, all of the retention money is released to us only upon expiration of the defect liability period.

For our projects in respect of building and ancillary services, as at 31 December 2014, 2015 and 2016 and 31 May 2017, our retention money receivables amounted to approximately MOP11.6 million, MOP11.9 million, MOP20.6 million and MOP24.0 million respectively.

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 customer may terminate our contract by giving advance notice of intention to do 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.



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### *Emergency repair services*

We provide emergency repair services to electricity and water utilities companies on a term contract basis. The salient terms of a typical project contract are shown below:

Scope of work                      The scope of services and type of works to be carried out by our Group are specified in the contracts. During the fixed contract term, we are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from our customers.

If so requested by our customers, we also provide ad hoc repair and associated services which will be charged individually according to the agreed schedule of rates in the contracts.

Duration of contract                Our emergency repair services contracts generally last for a fixed term, ranging from one to two years, subject to extension upon mutual agreements.

Pricing                                The contracts contain a fixed sum of basic monthly service fees which covers our standard services. The contracts also include schedule of rates in relation to each unit of ad hoc repair and associated services if so requested by our customers.

Payment                              For further details regarding the payment terms, please refer to the section headed “Business – Customers – Credit Policy” in this prospectus.

Service commitment requirements      In general, we are required to deploy requisite manpower for carrying out repair works within a specified period of time after receiving our customers’ requests. If we fail to comply with such service requirements, we may be subject to penalty by way of deduction from our basic monthly service fees.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we have not experienced any failure in meeting our customers’ request within the specified time period, nor have we been subject to any penalty or fee deduction from our customers due to failure to provide timely services.

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Penalty clauses	<p>During the performance of our services, if we cause any damage to the infrastructure of our customers, we shall be subject to fines imposed by our customers depending on the seriousness of the disruption caused by the damage.</p>
Insurance	<p>Our Group is responsible for all necessary insurances such as employees' compensation, contractors all risk insurance and third party liability insurance in respect of the persons who are employed to work at the construction sites.</p>
Performance guarantee	<p>For some of the contracts, our Group is required to provide a performance guarantee, generally for a sum equivalent to 2.5 months to 4 months of the basic monthly fees, issued by banks in favour of the customer as security for the due performance and observance of our Group's obligations under the relevant project. The performance guarantees are normally released upon completion of the project.</p> <p>When arranging with banks for the issuance of performance guarantees in favour of our customers, we may be required to place a pledged deposit with the banks. We would take out performance guarantees only if it is required by our customer in accordance with the contract terms.</p> <p>During the Track Record Period, none of our performance guarantees had been enforced by our customers by reason of non-performance of any of the contracts undertaken by us.</p>
Defect liability period	<p>For details regarding our defect liability period, please refer to the section headed "Business – Operating Procedures – Emergency Repair Services" in this prospectus.</p>

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### Top customers

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our revenue from our top five customers, in aggregate, amounted to approximately MOP202.2 million, MOP150.6 million, MOP145.9 million and MOP70.5 million, respectively, representing approximately 97.7%, 86.7%, 82.9% and 91.2% of our total revenue, respectively. The following table sets out our top five customers based on their ranking of revenue contribution to our Group during the Track Record Period:

#### *For FY2014*

Ranking	Customer	Principal business	Scope of services provided by our Group	Length of business relationship	Credit term	Payment method	Method of project award to our Group	Revenue	Percentage to total revenue
								MOP'000	%
1	Customer A (Note 1)	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include construction business, property and facility management business, and property development	Building and ancillary services (mainly road works and foundation associated works)	Since 2012	45-60 days	Cheque	Tender	186,858	90.3
2	Customer B (Note 2)	Electricity utility company in Macau	Emergency repair services, building and ancillary services (mainly electrical and mechanical works)	Since 2012	30 days	Bank Transfer	Tender	8,168	3.9
3	Customer C (Note 3)	Subsidiaries of a public company listed in Hong Kong, the principal activities of which mainly include operation of hotel and casino resort	Building and ancillary service (mainly alteration and addition works and road works)	Since 2011	45 days	Cheque	Both tender and quotation	2,633	1.3
4	Customer D	Macau government bureau responsible for land, public works and transport matters	Building and ancillary service (mainly road works)	Since 2008	30 days	Cheque	Tender	2,628	1.3
5	Macao Water (Note 4)	Water utility company in Macau	Emergency repair services, building and ancillary services (mainly water pipe works)	Since 2009	45 days	Bank Transfer	Both tender and quotation	1,869	0.9
<b>Total</b>								202,156	97.7

#### Notes:

- The listed holding company of Customer A has operation in Hong Kong, Macau, the PRC, Saipan and Cambodia, with over 2,500 employees as at 31 December 2016. The revenue of such listed company is approximately HK\$9.8 billion for the year ended 31 December 2016.
- Customer B has operation in Macau, with over 700 employees as at 31 December 2016. The revenue of Customer B is approximately MOP6.2 billion for the year ended 31 December 2016.
- The listed holding company of Customer C has operation in Macau, Hong Kong and the PRC, with over 20,000 employees as at 31 December 2016. The revenue of such listed company is approximately HK\$52.8 billion for the year ended 31 December 2016.
- Macao Water has operation in Macau, with over 250 employees as at 31 December 2015. The after-tax profit of Macao Water is approximately MOP64.7 million for the year ended 31 December 2016.

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### *For FY2015*

Ranking	Customer	Principal business	Scope of services provided by our Group	Length of business relationship	Credit term	Payment method	Method of project award to our Group	Revenue	Percentage to total revenue
								MOP'000	%
1	Customer A (Note 1)	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include construction business, property and facility management business, and property development	Building and ancillary services (mainly road works and foundation associated works)	Since 2012	45-60 days	Cheque	Both tender and quotation	90,735	52.2
2	Customer D	Macau government bureau responsible for land, public works and transport matters	Building and ancillary service (mainly road works)	Since 2008	30 days	Cheque	Tender	31,847	18.3
3	Customer C (Note 2)	Subsidiaries of a public company listed in Hong Kong, the principal activities of which mainly include operation of hotel and casino resort	Building and ancillary service (mainly hard landscaping, alteration and addition works and road works)	Since 2011	45 days	Cheque	Quotation	11,399	6.6
4	Customer B (Note 3)	Electricity utility company in Macau	Emergency repair services, building and ancillary services (mainly electrical and mechanical works)	Since 2012	30 days	Bank Transfer	Tender	8,958	5.2
5	Macao Water (Note 4)	Water utility company in Macau	Emergency repair services, building and ancillary services (mainly water pipe works)	Since 2009	45 days	Bank Transfer	Tender	7,642	4.4
<b>Total</b>								<u>150,581</u>	<u>86.7</u>

**Notes:**

1. Please refer to descriptions of Customer A's background as one of the top five customers for FY2014.
2. Please refer to descriptions of Customer C's background as one of the top five customers for FY2014.
3. Please refer to descriptions of Customer B's background as one of the top five customers for FY2014.
4. Please refer to descriptions of Macao Water's background as one of the top five customers for FY2014.

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### For FY2016

Ranking	Customer	Principal business	Scope of services provided by our Group	Length of business relationship	Credit term	Payment method	Method of project award to our Group	Revenue	Percentage to total revenue
								MOP'000	%
1	Customer A (Note 1)	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include construction business, property and facility management business, and property development	Building and ancillary services (mainly foundation associated works)	Since 2012	45-60 days	Cheque	Both tender and quotation	60,955	34.6
2	Chinney Timwill (Note 2)	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and hi-tech products, and property and investment holding	Building and ancillary services (mainly hard landscaping, alteration and addition works)	Since 2015	40-60 days	Cheque	Tender	35,255	20.0
3	Shanghai Tunnel Engineering Co. Ltd, Macau Branch ("Shanghai Tunnel") (Note 3)	Macau branch of a PRC company listed in Shanghai, the principal activities of which mainly include construction of infrastructures	Building and ancillary services (mainly foundation associated works)	Since 2015	37-45 days	Cheque	Tender	19,874	11.3
4	Customer H	A private company in Macau, the principal activities of which include electrical and mechanical engineering	Building and ancillary services (mainly hard landscaping, alteration and addition works and electrical and mechanical works)	Since 2016	45 days	Cheque	Tender	17,779	10.1
5	Customer B (Note 4)	Electricity utility company in Macau	Emergency repair services, building and ancillary services (mainly electrical and mechanical works)	Since 2012	30 days	Bank Transfer	Tender	12,032	6.9
<b>Total</b>								145,895	82.9

**Notes:**

1. Please refer to descriptions of Customer A's background as one of the top five customers for FY2014.
2. The listed holding company of Chinney Timwill has operation in Hong Kong, Macau and the PRC, with over 1,600 employees as at 31 December 2016. The revenue of such listed company is approximately HK\$4.6 billion for the year ended 31 December 2016.
3. Shanghai Tunnel has operation in 15 markets, mainly including the PRC, Hong Kong, Macau, Singapore, India, Poland and Angola with revenue of approximately RMB28.8 billion for the year ended 31 December 2016.
4. Please refer to descriptions of Customer B's background as one of the top five customers for FY2014.

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### *For five months ended 31 May 2017*

Ranking	Customer	Principal business	Scope of services provided by our Group	Length of business relationship	Credit term	Payment method	Method of project award to our Group	Revenue <i>MOP'000</i>	Percentage to total revenue %
1	Chinney Timwill (Note 1)	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and hi-tech products, and property and investment holding	Building and ancillary services (mainly hard landscaping, alteration and addition works)	Since 2015	40-60 days	Cheque	Both tender and quotation	30,410	39.3
2	Shanghai Tunnel (Note 2)	Macau branch of a PRC company listed in Shanghai, the principal activities of which mainly include construction of infrastructures	Building and ancillary services (mainly foundation associated works)	Since 2015	37-45 days	Cheque	Tender	18,547	24.0
3	Customer H	A private company in Macau, the principal activities of which include electrical and mechanical engineering	Building and ancillary services (mainly electrical and mechanical works)	Since 2016	45 days	Cheque	Tender	13,079	16.9
4	Vaford (Macau) Company Limited ("Vaford (Macau)")	Subsidiary of a private company in Hong Kong, the principal activities of which include construction works	Building and ancillary services (mainly hard landscaping, alteration and addition works)	Since 2016	30 days	Cheque	Tender	5,760	7.5
5	Customer D	Macau government bureau responsible for land, public works and transport matters	Building and ancillary services (mainly road works)	Since 2008	30 days	Cheque	Tender	2,715	3.5
<b>Total</b>								<u>70,511</u>	<u>91.2</u>

*Notes:*

1. Please refer to descriptions of Chinney Timwill's background as one of the top five customers for FY2016.
2. Please refer to descriptions of Shanghai Tunnel's background as one of the top five customers for FY2016.

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

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### Customer concentration

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, the percentage of our total revenue attributable to our top five customers combined amounted to approximately 97.7%, 86.7%, 82.9% and 91.2% respectively. The percentage of our total revenue attributable to our top customer amounted to approximately 90.3%, 52.2%, 34.6% and 39.3% respectively for the same periods. Our Directors consider that such customer concentration is not uncommon for construction companies in Macau, and that our Group's business model is sustainable despite such customer concentration due to the following factors:

- It is not uncommon for a single project to have a large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, a project of sizable scale can have a contract period of several years. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become one of our top customers in terms of revenue contribution to us for more than one financial year.
- We have been actively tendering for both private and public sector projects. In the event that any of our major customers substantially reduce the number of contracts placed with us or terminate the business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other customers in view of the expected growth of demand for building and ancillary services in Macau and our competitive strengths as detailed in the section headed "Business – Competitive Strengths" in this prospectus. According to the Frost & Sullivan Report, driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021.
- Some of our top five customers have stable relationship with us ranging from five to eight years (including Customer A, Customer B, Customer C, Customer D and Macao Water) and we will therefore endeavour to accommodate their demand for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.
- Most of our projects are one-off projects. Apart from emergency repair services projects, we enter into building and ancillary services projects with our customers on a project-by-project basis, which provide us with more flexibility to compete for projects from different customers.

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- Our Directors consider that we have a complementary business relationship with our major customers. Our experience and our proven track record as a quality contractor in providing building and ancillary services also give business advantage to our customers to ensure their projects are executed on time, within budget and in accordance with their quality standards.
- In respect of Customer A (being our top customer for FY2014, FY2015 and FY2016), during the Track Record Period, we have reduced our reliance on Customer A while at the same time we were able to maintain our profitability as evidenced by the increase in our gross profit during the Track Record Period. There has been a decreasing trend in the percentage of revenue derived from Customer A to our total revenue, from approximately 90.3% for FY2014 to approximately 52.2% for FY2015, and further to approximately 34.6% for FY2016. We plan to further develop our client base and mitigate the risk of reliance on Customer A. Please also refer to the section headed “Business – Customers – Our Relationship with Customer A” in this prospectus for further details.
- Our Group did not record any revenue contribution from Customer A during the five months ended 31 May 2017. Nevertheless, our revenue for building and ancillary services amounted to approximately MOP74.0 million for the five months ended 31 May 2017, as compared to MOP72.6 million for the five months ended 31 May 2016. Our Directors consider that this reflects our ability in obtaining projects from other customers to offset the decreasing revenue contribution of Customer A to our Group.
- We continue to diversify our customer base and we obtained contracts with relatively new customers such as Chinney Timwill, Shanghai Tunnel (as defined above) and Customer H whom we started business relationship for one to two years only and became our top customers for FY2016.

### **Our relationship with Customer A**

Customer A is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange (the “Customer A Listco”). According to the annual report of the Customer A Listco for the year ended 31 December 2016, the principal activities of the subsidiaries of the Customer A Listco mainly include construction business, property and facility management business, and property development. In particular, the continuing operations of the Customer A Listco in Macau contributed approximately HK\$1.6 billion to its revenue.



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Our Directors consider that the significant revenue contribution from Customer A to our Group during FY2014, FY2015 and 2016 was caused by the following key factors:

- (i) We have established business relationship with Customer A since our first contract started in 2012. Due to such established relationship, we have therefore been inclined to accommodate their demands for our business as far as our resources allowed instead of turning down their requests.
- (ii) Customer A Listco (together with its subsidiaries) is a prominent and active building construction contractor in Macau. According to the annual report of Customer A Listco for the year ended 31 December 2016, it has numerous major building construction projects and construction management services projects in Macau mainly involving hotel and casino resorts development. Our Directors believe that a prominent and active building construction contractor in Macau would normally have a substantial demands for various types of construction services from subcontractors which are capable of providing reliable and quality services and with which it has established relationship.

Our Directors are aware of the risk of customer concentration. In this connection, we have, on the one hand, continued to provide services to and maintain good relationship with Customer A, and, on the other hand, sought to reduce our reliance on Customer A by undertaking more sizeable projects for other customers during the Track Record Period. The percentage of revenue derived from Customer A to our total revenue, from approximately 90.3% for FY2014 to approximately 52.2% for FY2015, and further to approximately 34.6% for FY2016. As at the Latest Practicable Date, we did not have any on-going projects with Customer A.

### **Trade receivables and retention receivables from Customer A**

During the Track Record Period, our Group was awarded with 5 projects from Customer A (including Project BA1). In Project BA1, Customer A (being main contractor) was instructed by Customer C (being project employer in a hotel and casino development project) to appoint Kin Pang as nominated subcontractor for undertaking certain building and ancillary works. For further details of Project BA1, please refer to the section headed “Business – Our Construction Projects – Building and Ancillary Services Projects Completed by our Group during the Track Record Period” in this prospectus.

Project BA1 was completed during the Track Record Period, and we do not have any on-going projects with Customer A as at the Latest Practicable Date. As at the Latest Practicable Date, our trade receivables and retention receivables from Customer A amounted to approximately MOP1.1 million and MOP5.1 million respectively.

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Since early April 2017, the trading in the ordinary shares and debt securities of Customer A Listco listed on the Stock Exchange has been suspended. According to a subsequent announcement in May 2017, it was reported that there were uncertainties relating to going concern of Customer A Listco.

To the best of their knowledge and having considered the time periods typically required by (i) the certification process of the project employer in approving the main contractor's final accounts; and (ii) the internal procedures of the main contractor in settling the amount due to its subcontractor after receiving payments from the project employer, our Directors estimate that we are likely to recover the retention receivables from Customer A by the first quarter of FY2018. For the trade receivables of approximately MOP1.1 million and retention receivables of approximately MOP5.1 million as at the Latest Practicable Date, our Group was informed by Customer A that an amount of approximately MOP1.1 million had already been certified and such sum is expected to be settled by December 2017 based on the relevant payment certificate, while the remaining amount of approximately MOP5.1 million is expected to be certified by early 2018 and settled by the first quarter of FY2018.

Pursuant to the sub-contract between Customer A and Kin Pang (the "**Sub-Contract**") for Project BA1, Customer A and/or its authorised person carried out regular inspection on our completed works and issue payment certificates to certify the works completed by us. Customer A had settled our trade and retention receivables through progress payment based on the aforesaid certification process. During the Track Record Period and up to the Latest Practicable Date, our trade and retention receivables with Customer A were generally settled within the dates specified in the payment certificates issued to us. Our Directors consider that risk of non-recovery of our trade receivables and retention receivables from Customer A is low, due to the following reasons:

- (i) Under the Sub-Contract, the retention money retained from Kin Pang is held by Customer A as trustee in favour of Kin Pang. This means that the beneficial owner of the retained retention money is Kin Pang, instead of Customer A. Based on the communication of our Directors with Customer C, Customer C's certification process in approving Customer A's final account is expected to be completed by the first quarter of FY2018, subject to any unforeseen circumstances which may arise in the certification process.
- (ii) Further, under the main contract between Customer C and Customer A in relation to Project BA1 (the "**Main Contract**"), Customer C (being project employer) has certain rights to withhold payments due to Customer A (being main contractor) and make direct payment to Kin Pang (being nominated subcontractor). In particular, as discussed in further details below, if Kin Pang fails to recover payment due from Customer A, it may report the matter to the architect appointed in relation to Project BA1. Pursuant to the Main Contract, after the architect issues a certificate for payment to Kin Pang, Customer C may itself pay the relevant amount directly to Kin Pang and deduct the same amount from any sums due to or which will become due to Customer A.

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- (iii) It is in the commercial interest of Customer C (as project employer) to ensure that Kin Pang (as nominated subcontractor) will receive payment for its retention receivables and trade receivables in time and in full. Our Group was selected and nominated by Customer C itself as a subcontractor. Further, the scope of work, term and price of the services to be provided by us in Project BA1 were pre-negotiated with Customer C. As such, our Directors believe that Customer C would ensure that its nominated subcontractors in Project BA1 (including Kin Pang) are duly paid in order to preserve its industry reputation in Macau and maintain its working relationship with its nominated subcontractors.
  
- (iv) During the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any difficulties in recovering our accounts receivables from Customer A. As at 26 July 2017, our trade receivables and retention receivables from Customer A amounted to approximately MOP7.9 million and MOP11.1 million respectively. Further, subsequently on 27 July 2017, our Group received payment of approximately MOP6.8 million from Customer A in respect of our trade receivables. On 15 September 2017, approximately MOP6.0 million of our retention monies with Customer A were certified and therefore such amount was then recorded as our trade receivables. On 13 October 2017 and 17 November 2017, our Group further received payment of MOP3.0 million and MOP3.0 million respectively from Customer A in respect of our trade receivables. As a result of the above, as at the Latest Practicable Date, our trade receivables and retention receivables from Customer A were reduced to approximately MOP1.1 million and MOP5.1 million, respectively. We believe this reflects positively on Customer A's current ability in continuously fulfilling payments obligations towards its subcontractor and further minimises our credit exposure to Customer A.

Although our Directors consider that the risk of non-recovery is low based on the above reasons, our Controlling Shareholders have nevertheless agreed to indemnify our Group in respect of all necessary costs (including all legal costs), expenses, interests, damages, losses of other liabilities suffered by our Group due to non-recovery of our trade receivables and retention receivables from Customer A in relation to Project BA1.

In the event of non-payment from Customer A to us, our Directors take the view that Customer C would make direct payments to us through the mechanism mentioned above because:

- (i) based on Customer C's replies in response to our enquiries, Customer C has indicated that it will make direct payment to its nominated sub-contractors, subject to satisfaction of certain conditions as stipulated in the Main Contract (the "**Conditions**"), under the circumstances of non-payment by Customer A to the nominated subcontractors of the money owed to them pursuant to a previous payment certificate without good reasons; and

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- (ii) Customer C is a group of subsidiaries of a company listed on the Main Board of the Stock Exchange (the “Customer C Listco”). According to the annual report of the Customer C Listco, the principal activities of its subsidiaries include operation of hotel and casino resorts and the revenue of Customer C Listco is approximately HK\$52.8 billion for the year ended 31 December 2016. In view of the market presence and operation scale of Customer C Listco in Macau, our Directors believe that Customer C would tend to ensure timely payment to its nominated subcontractors in order to preserve its industry reputation in Macau and maintain its working relationship with its nominated subcontractors as mentioned above.

As advised by the Hong Kong Legal Counsel, a summary of the Conditions and relevant mechanism of applying for direct payments from Customer C to our Group under the Main Contract (the relevant parts of which are governed by Hong Kong laws by the choice of parties thereto) are set out as follows:

- (i) in the event of non-payment by Customer A to us of the money owed to us pursuant to a previous payment certificate without good reasons, we may notify the architect (the “**Architect**”) appointed by Customer C in relation to Project BA1;
- (ii) upon receiving our notice about the non-payment from Customer A, before issuing any certificate for further payment to Customer A, the Architect shall have the right to request Customer A to provide to him reasonable proof that all amounts as due in the previous payment certificate for the works done by our Group have been duly discharged. Unless Customer A can demonstrate reasonable cause for withholding the amount due to our Group, the Architect may issue a certificate for any payment to our Group when he considers fit; and
- (iii) based on the certificate issued by the Architect, Customer C may itself pay such amounts to our Group and deduct the same from any sums due or to become due to Customer A.

During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any difficulties in recovering any amount due from Customer A. In the event of any non-payment by Customer A, our Group will resort to the aforesaid mechanism in applying for direct payments from Customer C. Customer C has also indicated that it will make direct payment to its nominated subcontractors, subject to the fulfilment of Conditions mentioned above. The Hong Kong Legal Counsel advises that he is not aware of any legal restrictions on our Group in resorting to the aforesaid mechanism.

Having considered the timeframe of Customer C in handling direct payment application from its nominated subcontractor in the past and based on the terms of the Main Contract, our Directors expect that it would take approximately 1.5 months to recover our outstanding sum from Customer C through direct payment in the case of Customer A’s default.

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Based on the terms of the Main Contract, the pre-conditions for Customer C to make direct payments to us are that (i) Customer A has failed to settle the amount due to us according to a previous payment certificate issued; and (ii) the Architect has certified our works done and issued a payment certificate for the amount that we are entitled to.

As advised by the Hong Kong Legal Counsel, in the event of Customer A's default, Kin Pang can enforce its rights by making an application to the Architect who shall have the right to issue a certificate for payment to our Group. Based on the payment certificate issued by the Architect, Kin Pang is entitled to request for direct payment from Customer C pursuant to the aforesaid mechanism set out in the Main Contract. In addition, in order to provide further assurance to Kin Pang, Customer C has indicated its intent to exercise the power under the Main Contract to make direct payment to its nominated subcontractors in case of non-payment from Customer A.

### **Latest development on the working relationship between Customer C and Customer A**

Based on public information published by Customer A Listco, Customer C awarded Customer A the piling works contract for the new phase of its casino and resort development in Macau. The works of such contract were set to be commenced in October 2017 and is expected to be completed by mid-2018. In view of the aforesaid new contract awarded to Customer A, our Directors consider that this reflects positively on Customer C's confidence in the financial positions and business prospects of Customer A in the foreseeable future.

### **Top customer who was also our supplier**

#### ***Contra-charge arrangement with Chinney Timwill***

As confirmed by our Directors, it is common in the construction industry that a main contractor may pay on behalf of its subcontractors for certain expenses for a project. Such expenses are typically deducted from its payments to the relevant subcontractors in settling its service fees for the project. Such payment arrangement is referred to as "contra-charge arrangement" and the amounts involved are referred to as the "contra-charge".

During the Track Record Period, we had contra-charge arrangement with Chinney Timwill being one of our top customers for five months ended 31 May 2017. In this context, we regard such customer as our supplier as well. Chinney Timwill had purchased architectural umbrellas which were required by us for sheltering the relevant work sites as we performed hard landscaping works in one of our building and ancillary services projects. We settled such amounts with Chinney Timwill through contra-charge arrangement. Effectively, the payments due to us from Chinney Timwill were settled after netting off such contra-charge amounts. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our contra-charge incurred with Chinney Timwill amounted to approximately nil, nil, MOP1.5 million and nil respectively.

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### **Top customers who were also our subcontractors**

#### ***Chinney Timwill***

Chinney Timwill is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange (the “Chinney Timwill Holdco”). According to annual report of the Chinney Timwill Holdco for the year ended 31 December 2016, the principal activities of the subsidiaries of Chinney Timwill Holdco mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and high-technology products, and property and investment holding. In particular, the operation of Chinney Timwill (namely building construction and foundation piling in Macau) contributed approximately HK\$1.1 billion to the revenue of Chinney Timwill Holdco. As at the Latest Practicable Date, the market capitalisation of Chinney Timwill Holdco was approximately HK\$0.9 billion.

Chinney Timwill was one of our major subcontractors during the Track Record Period which provided subcontracting services to us. As at the Latest Practicable Date, it is also one of our customers as we had four on-going building and ancillary services projects with Chinney Timwill, among which, two and two projects were awarded to us in FY2015 and FY2016, respectively.

During the Track Record Period, we subcontracted certain ELS works and hard landscaping works to Chinney Timwill, resulting in subcontracting charges incurred by us of approximately MOP65.4 million, MOP7.3 million, MOP13.2 million and MOP4.8 million for each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017 respectively.

During the Track Record Period, we were awarded four building and ancillary services projects by Chinney Timwill pursuant to which Chinney Timwill subcontracted certain building and ancillary works in relation to hotel and casino development to us, which, in aggregate, contributed nil, MOP0.8 million, approximately MOP35.3 million and approximately MOP30.0 million for each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017 respectively. The building and ancillary works undertaken by us for Chinney Timwill and the construction works undertaken by Chinney Timwill for us were located at different construction sites.

#### ***Customer H***

Customer H (being the third largest customer for the five months ended 31 May 2017) is an electrical and mechanical engineering contractor in Macau established in 1991. Customer H was one of our major subcontractors during the Track Record Period which provided subcontracting services to us. During the Track Record Period and up to the Latest Practicable Date, we had undertaken four projects awarded by Customer H, among which, one project was on-going as at the Latest Practicable Date and three projects were completed during the Track Record Period.

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In the aforesaid projects, Customer H engaged our Group to carry out certain electrical and mechanical works mainly involving supply and installation of busbar system, cables trunkings and some other electrical components, which, in aggregate, contributed nil, nil, MOP17.8 million and MOP13.1 million for each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017 respectively.

During the Track Record Period, we engaged Customer H to provide temporary lighting services in relation to our road works and water pipe works, resulting in subcontracting charges incurred by us of nil, approximately MOP2.0 million, approximately MOP3.1 million and nil for each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017.

The electrical and mechanical works undertaken by us for Customer H and the electrical services undertaken by Customer H for us were located at different work sites. In addition, the types of construction works undertaken by us and Customer H for each other were of different nature.

### **Credit policy**

#### ***Building and ancillary services***

In respect of our building and ancillary services, we are generally required to submit monthly payment request to obtain interim payment from our customers with regard to the works completed in respect of the preceding month. Our payment applications generally include details of completed works, the actual quantities of our work done and variation order (if any) on a monthly basis. Customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the works completed by us. We will then issue receipts to our customers upon receipt of the payment. In respect of final payment, we usually issue final account showing the amount we are entitled to for our customers' approval.

Payment terms granted by us to our customers generally ranged from approximately 30 to 60 days. Similarly, we normally pay our subcontractors on a monthly basis with reference to the certified value of works done by the subcontractors. Payment terms granted by our subcontractors generally ranged from approximately 30 to 60 days.

#### ***Emergency repair services***

In respect of our emergency repair services, we are generally required to submit our invoices to our customers on a monthly basis, which include (i) our basic monthly fees; and (ii) extra fees charged in relation to ad hoc service items according to the schedule of rates, if so requested by our customers. Our customers generally make payment to us approximately 30 to 60 days after we issue our invoices to them.

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### Collection of trade receivables

For the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our trade receivables amounted to approximately MOP5.0 million, MOP29.5 million, MOP37.3 million and MOP41.4 million, respectively, and our average trade receivables turnover days were approximately 25.4 days, 36.3 days, 69.5 days and 76.9 days, respectively. Please refer to “Financial Information – Trade Receivables” in this prospectus for further discussion on our trade receivables and average trade receivables turnover days. Please refer to note 26 in the Accountants’ Report in Appendix I to this prospectus for further details of our credit risks.

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

- 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, doing appropriate searches to ascertain the potential customer’s credibility.
- Material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the customer’s normal payment processing procedures, our relationship with the customer, 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.
- In addition, 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, if necessary.

We review our overdue trade receivables regularly, and when appropriate, provide for impairment of such trade receivables. During the Track Record Period, we did not recognise any bad debts or make any provision in respect of our trade receivables.



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### **Pricing strategy**

We need to estimate the total costs involved in a project in order to determine our tender price or fee quotation and there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. In order to minimise the risk of inaccurate estimation and cost overrun, the pricing of our services are overseen by our executive Directors, whose background and experience are disclosed in the section headed “Directors, Senior Management and Staff” in this prospectus, based on our pricing strategy described in the following paragraphs. Our Group has not recorded any loss-making projects during the Track Record Period.

Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the estimated costs of construction materials; (ii) the estimated number and types of workers required; (iii) the scale and complexity of the project; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) any subcontracting which is expected to be necessary; (viii) prices offered to the customer in the past; (ix) the construction methods and techniques expected to be applied in a project; and (x) the prevailing market conditions.

When determining the pricing of our services, we also take into account the non-binding quotations obtained from our subcontractors and suppliers of materials. Therefore, if there is any substantial fluctuation in the price trend of subcontracting charges or material costs, we believe we will be able to pass on the increase in the cost to our customers.

We then prepare our tender price or fee quotation based on a certain percentage of markup over our estimated cost. The percentage of markup may vary substantially from project to project due to factors such as (i) the size of the project; (ii) the prospect of obtaining future contracts from the customer; (iii) any possible positive effect of our Group’s image in the construction industry; (iv) the amount and substantiality of the portion of work undertaken by subcontractor; and (v) the likelihood of any material deviation of the actual cost from our estimation having regard to the price trend of key cost components and the general market condition.

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### SUPPLIERS

#### Characteristics of our suppliers

Our suppliers mainly include (i) suppliers of diesel fuel for powering the machinery used; (ii) suppliers of construction materials required for our operations (mainly including concrete, steel, stone materials, cement, sewer covers, water pipes and electrical components); (iii) lessors of machinery (such as crawler cranes); and (iv) suppliers of other miscellaneous services such as the transportation of machinery and construction waste.

We are usually responsible for sourcing construction materials for our projects, and except in the case where (i) we are required to source certain raw materials (such as stone materials) from our customers' designated suppliers, or (ii) we are provided with materials by our customers pursuant to the contra-charge arrangement, as discussed in the section headed "Business – Customers – Top customer who was also our supplier" in this prospectus, we are able to choose our own suppliers for our projects.

#### Salient terms of our supply contracts

During the Track Record Period, we entered into contracts with our suppliers on a project-by-project basis. Consistent with industry practice, we did not enter into any long-term agreements with our suppliers during the Track Record Period. The salient terms of our supply contracts are summarised as follows:

Material/service specification	A description of the material/service required, including the type of materials/service, quantity and technical specification of the products/services.
Delivery and performance	Materials/services are generally delivered/performed by our suppliers at the construction sites designated by us.
Pricing	The price of the materials/services are determined by a unit price and the total volume purchased.
Payment term	Generally, payment for the purchase of materials/services are to be made within 30 to 60 days upon delivery to the site. Alternatively, some suppliers may require us to settle payments upon delivery of the materials to the site.

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### Top suppliers

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our purchase from our top five suppliers, in aggregate, amounted to approximately MOP34.3 million, MOP15.2 million, MOP11.6 million and MOP10.5 million of our total purchase (excluding subcontracting charges incurred), respectively, representing approximately 61.9%, 41.5%, 34.5% and 69.9% of our total direct costs (excluding labour cost and subcontracting charges incurred), respectively. The following table sets out our top five suppliers based on the ranking of their contribution to our total direct costs (excluding labour cost and subcontracting charges incurred) during the Track Record Period:

#### *For FY2014*

Ranking	Supplier	Principal business	Services/goods supplied to our Group	Length of business relationship	Credit term	Payment method	Direct costs	Percentage to total direct costs (excluding labour cost and subcontracting charges incurred)
							MOP'000	%
1	Fast Concrete Limited ("Fast Concrete")	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2006	30 days	Cheque	14,546	26.3
2	Entities controlled by Controlling Shareholders (Note)	Private entities in Macau, the principal activities of which include construction machinery rental and construction works	Mainly leasing of construction machinery and site equipment	Since 2012	30-60 days	Cheque	11,541	20.8
3	協成鑄造廠("Ip Seng Casting Foundry")	A private company in Macau, the principal activities of which include supply of construction-related casting products	Mainly sewer cover	Since 2011	60 days	Cheque	2,902	5.2
4	Supplier C	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2012	30 days	Cheque	2,777	5.0
5	Wilfred Oil Products (Macau) Company Limited ("Wilfred Oil")	A private company in Macau, the principal activities of which include supply of diesel oil	Mainly diesel oil	Since 2011	60 days	Cheque	2,550	4.6
<b>Total</b>							<b>34,316</b>	<b>61.9</b>

*Note:* For details of the entities controlled by our Controlling Shareholders and our purchases from these entities, please refer to the section headed "Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules" in this prospectus.

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*For FY2015*

Ranking	Supplier	Principal business	Services/goods supplied to our Group	Length of business relationship	Credit term	Payment method	Percentage to total direct costs (excluding labour cost and subcontracting charges incurred)	
							Direct costs <i>MOP'000</i>	%
1	Entities controlled by Controlling Shareholders <i>(Note)</i>	Private entities in Macau, the principal activities of which include construction machinery rental and construction works	Mainly leasing of construction machinery and site equipment	Since 2012	30-60 days	Cheque	5,158	14.1
2	Fast Concrete	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2006	30 days	Cheque	3,875	10.6
3	Supplier C	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2012	30 days	Cheque	3,299	9.0
4	Wilfred Oil	A private company in Macau, the principal activities of which include supply of diesel oil	Mainly diesel oil	Since 2011	60 days	Cheque	1,660	4.5
5	滿記吊車("Mun Kee Cranes")	A private company in Macau, the principal activities of which include transportation of construction machinery	Mainly transportation of construction machinery	Since 2011	60 days	Cheque	1,226	3.3
<b>Total</b>							<u>15,218</u>	<u>41.5</u>

*Note:* For details of the entities controlled by our Controlling Shareholders and our purchases from these entities, please refer to the section headed "Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules" in this prospectus.

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**For FY2016**

Ranking	Supplier	Principal business	Services/goods supplied to our Group	Length of business relationship	Credit term	Payment method	Percentage to total direct costs (excluding labour cost and subcontracting charges incurred)	
							Direct costs <i>MOP'000</i>	%
1	Macau Orient Wanli Stone Material and Engineering Co., Ltd. ("Macau Orient Wanli")	A private company in the PRC, the principal activities of which include supply of stone materials	Mainly stone materials	Since 2015	60 days	Cheque	7,187	21.3
2	Chinney Timwill <i>(Note)</i>	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and hi-tech products, and property and investment holding	Mainly architectural umbrellas supplied to us under contra-charge arrangement	Since 2013	30-60 days	Cheque	1,508	4.5
3	元傑運輸 ("Un Kit Transportation")	An individual based in Macau, the principal activities of which include transportation of construction waste	Mainly transportation of construction waste	Since 2011	60 days	Cheque	1,028	3.0
4	Fast Concrete	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2006	30 days	Cheque	1,017	3.0
5	Powermac Technology Limited ("Powermac")	A private company in Hong Kong, the principal activities of which include supply of electrical products	Mainly electrical components	Since 2016	60 days	Bank Transfer	899	2.7
<b>Total</b>							<u>11,639</u>	<u>34.5</u>

*Note:* Please refer to descriptions of Chinney Timwill's background as one of the top five customers for FY2016.

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*For five months ended 31 May 2017*

Ranking	Supplier	Principal business	Services/goods supplied to our Group	Length of business relationship	Credit term	Payment method	Percentage to total direct costs (excluding labour costs and subcontracting charges incurred)	
							Direct costs <i>MOP'000</i>	%
1	Macau Orient Wanli	A private company in the PRC, the principal activities of which include supply of stone materials	Mainly stone materials	Since 2015	60 days	Cheque	6,636	44.3
2	萬源五金建材 (“Man Yuen Metal Hardware and Construction Materials”)	A private company in the PRC, the principal activities of which include supply of steel	Mainly steel	Since 2011	60 days	Cheque	1,241	8.3
3	Supplier K	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2017	60 days	Cheque	1,140	7.6
4	高志(澳門)有限公司 (“Score”)	A private company in Macau, the principal activities of which include supply of pavement blocks	Mainly pavement blocks	Since 2009	Payment upon delivery	Cheque	742	5.0
5	Fast Concrete	A private company in Macau, the principal activities of which include supply of concrete	Mainly concrete	Since 2006	30 days	Cheque	703	4.7
<b>Total</b>							10,462	69.9

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

During the Track Record Period, we did not experience any material shortage or delay in the supply of goods and services that we required. For a discussion on the historical price fluctuation of the main types of goods and services that we require, please refer to the section headed “Industry Overview” in this prospectus. Our Directors consider that we are generally able to pass on substantial increase in purchase costs to our customers as we generally take into account our overall costs of undertaking a project when determining our pricing.

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### **Selection of suppliers**

We consider that it is commercially beneficial to maintain a stable and close business relationship with our suppliers. We maintain a list of approved suppliers who we have procured from in the past, and will review and update such list from time to time. As at the Latest Practicable Date, we maintained more than 160 approved suppliers on such list. We generally obtain price quotations from at least two suppliers and compare the pricing and other terms offered by such suppliers before we place our purchases. We select our approved suppliers based on various criteria, including quality, technical specification and timeliness of delivery. During the Track Record Period, we purchased our raw materials from suppliers based in Macau, Hong Kong and the PRC. We procure most of our principal raw materials from these approved suppliers on a project-by-project basis.

### **INVENTORY**

In general, construction materials are procured by us based on the projects on hand and are delivered to our work sites directly from time to time to meet the estimated demand according to the work schedule of the projects. As such, we do not keep any inventories during the Track Record Period.

### **SUBCONTRACTORS**

It is a common industry practice for main contractors or subcontractors to further subcontract part of their works to other subcontractors. Depending on the scale, complexity and requirement of the project, we engage subcontractors from time to time to perform certain construction works (mainly including ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works). During the Track Record Period, all of our Group's subcontractors are located in Macau, and all of our Group's subcontracting agreements are denominated in MOP. For FY2014, FY2015, FY2016 and the five months ended 31 May 2017, we incurred subcontracting charges of approximately MOP106.4 million, MOP83.6 million, MOP86.0 million and MOP33.0 million respectively.

We are accountable to our customers for the works performed in a project, including those carried out by subcontractors. According to the agreements we entered into with our subcontractors, we are entitled to hold our subcontractors liable for any damages suffered by our Group.

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### **Salient terms of our subcontracting contracts**

We enter into contracts with our subcontractors on a project-by-project basis. Consistent with industry practice, we did not enter into any long-term agreements with our subcontractors during the Track Record Period.

The terms of our subcontracting arrangements with subcontractors may vary depending on the project requirements. The salient terms included in our standard subcontracting contracts with our independent subcontractors are summarised as follows:

Scope of work	Our subcontracting agreements stipulate the work scope in relation to the subcontracted works. We generally provide technical specifications and customers' requirements of the project to our subcontractors.
Defect liability period	Our subcontractors shall be responsible for rectifying works defects arising from works subcontracted to them at their own expenses for a period of 12 months following the completion of project.
Subcontracting charges	The subcontracting charges to be received by the subcontractor is usually represented in a lump sum fixed price, which is 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 charges based on (i) certain percentage of the amount of fees to be received by us from our customers in respect of the portion of works being subcontracted; (ii) the amount of labour resources required from our subcontractors; (iii) the nature of works to be performed by our subcontractors; and (iv) the prevailing market conditions. There is no price adjustment clause in the subcontracts between our Group and our subcontractors.
Payment arrangements	Our subcontractors are required to provide us with a payment application setting out the details of the completed work on a monthly basis and our subcontractors generally grant us credit terms of 30 to 60 days.



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Retention money	Unless otherwise agreed, we usually hold up to 10% of each interim payment to our subcontractor and a maximum 5% of the subcontract sum as retention money. Typically, 50% of the retention money withheld is usually released to our subcontractors 6 months after completion of a project and the remaining retention money is released after the expiry of the defect liability period.
Safety and prohibition of illegal workers	Our subcontractors are required to carry out the works in accordance with all relevant safety, health and environmental laws, rules and regulations as well as the safety rule of the main contractor and those of our Group. Our subcontractors are also prohibited from hiring illegal workers. In the event of any non-compliance, the relevant subcontractor shall indemnify our Group against any expenses, penalties and other losses arising from such non-compliance.
Indemnities	Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractor and/or its employees. We are entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with our requirements.

### **Top subcontractors**

During the Track Record Period, our subcontracting charges incurred to our top five subcontractors, in aggregate, amounted to approximately MOP84.8 million, MOP50.3 million, MOP33.9 million and MOP28.4 million, respectively, representing approximately 79.7%, 60.2%, 39.4% and 86.2% of our total subcontracting charges, respectively.

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The following table sets out our top five subcontractors based on the ranking of their contribution to the subcontracting charges for each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017 respectively:

### *For FY2014*

Ranking	Subcontractor	Principal business	Subcontracted works/ services supplied to our Group	Length of business relationship	Credit term	Payment method	Subcontracting	Percentage to
							charges	total
							<i>MOP'000</i>	%
1	Chinney Timwill <i>(Note 1)</i>	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and hi-tech products, and property and investment holding	Mainly ELS works	Since 2013	30-60 days	Cheque	65,434	61.5
2	Hang Tung Foundation Engineering Company Limited ("Hang Tung") <i>(Note 2)</i>	A private company in Macau, the principal activities of which include machinery rental and construction works	Mainly piling works and temporary hoarding services	Since 2012	30-60 days	Cheque	6,284	5.9
3	Cheong Kong Construction Co., Ltd ("Cheong Kong")	A private company in Macau, the principal activities of which include construction works	Mainly asphalt road works	Since 2011	30-60 days	Cheque	5,203	4.9
4	Entities controlled by Controlling Shareholders <i>(Note 3)</i>	Private entities in Macau, the principal activities of which include construction machinery rental and construction works	Mainly asphalt road works, temporary hoardings services and excavation works	Since 2012	30-60 days	Cheque	4,695	4.4
5	Tang Fat Engineering Company Limited ("Tang Fat")	A private company in Macau, the principal activities of which include construction works	Mainly metal works	Since 2011	30-60 days	Cheque	3,220	3.0
<b>Total</b>							<b>84,836</b>	<b>79.7</b>

#### *Notes:*

- Please refer to descriptions of Chinney Timwill's background as one of the top five customers for FY2016.
- Hang Tung owns 50% share capital of Hang Kin. For details of Hang Kin, please refer to the section headed "Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules" in this prospectus.
- For details of the entities controlled by our Controlling Shareholders and the subcontracting services provided by these entities to us, please refer to the section headed "Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules" in this prospectus.

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### *For FY2015*

Ranking	Subcontractor	Principal business	Subcontracted works/ services supplied to our Group	Length of business relationship	Credit term	Payment method	Subcontracting	Percentage to
							charges	total subcontracting charges
							<i>MOP'000</i>	<i>%</i>
1	Cheong Kong	A private company in Macau, the principal activities of which include construction works	Mainly asphalt road works	Since 2011	30-60 days	Cheque	12,283	14.7
2	Entities controlled by Controlling Shareholders <i>(Note)</i>	Private companies in Macau, the principal activities of which include construction machinery rental and construction work	Mainly asphalt road works, temporary boardings services and excavation works	Since 2012	30-60 days	Cheque	11,583	13.9
3	Hang Fu Decoration Engineering ("Hang Fu")	A private company in Macau, the principal activities of which include construction works	Mainly temporary hoardings services and temporary steelwork supporting services	Since 2011	35-60 days	Cheque	10,540	12.6
4	Ao Fat Engineering Co. ("Ao Fat")	A private company in Macau, the principal activities of which include construction works	Mainly road demolition works and asphalt road works	Since 2011	30-60 days	Cheque	8,019	9.6
5	Tang Fat	A private company in Macau, the principal activities of which include construction works	Mainly metal works	Since 2011	30-60 days	Cheque	7,860	9.4
<b>Total</b>							<u>50,285</u>	<u>60.2</u>

*Note:* For details of the entities controlled by our Controlling Shareholders and the subcontracting services provided by these entities to us, please refer to the section headed "Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules" in this prospectus.

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### *For FY2016*

Ranking	Subcontractor	Principal business	Subcontracted works/ services supplied to our Group	Length of business relationship	Credit term	Payment method	Subcontracting	Percentage to
							charges	total
							<i>MOP'000</i>	%
1	Chinney Timwill (Note)	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and hi-tech products, and property and investment holding	Mainly hard landscaping works	Since 2013	30-60 days	Cheque	13,161	15.3
2	Subcontractor I	A private company in Macau, the principal activities of which include construction works	Mainly fitting-out works and electrical and mechanical works	Since 2016	30-60 days	Cheque	10,730	12.5
3	Ao Fat	A private company in Macau, the principal activities of which include construction works	Mainly road demolition works and asphalt road works	Since 2011	30-60 days	Cheque	3,445	4.0
4	Hang Fu	A private company in Macau, the principal activities of which include construction works	Mainly temporary hoardings services and temporary steelwork supporting services	Since 2011	35-60 days	Cheque	3,429	4.0
5	勁力工程有限公司 ("Keng Lec Engineering Company Limited")	A private company in Macau, the principal activities of which include construction works	Mainly electrical installation works	Since 2016	60 days	Cheque	3,118	3.6
<b>Total</b>							<b>33,883</b>	<b>39.4</b>

*Note:* Please refer to descriptions of Chinney Timwill's background as one of the top five customers for FY2016.

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### *For five months ended 31 May 2017*

Ranking	Subcontractor	Principal business	Subcontracted works/ services supplied to our Group	Length of business relationship	Credit term	Payment method	Subcontracting	Percentage to
							charges	total subcontracting charges
							<i>MOP'000</i>	<i>%</i>
1	Subcontractor I	A private company in Macau, the principal activities of which include construction works	Mainly fitting-out works and electrical and mechanical works	Since 2016	30-60 days	Cheque	8,175	24.8
2	新華達建築工程有限公司("Sun Wa Dak Engineering and Construction Company Limited")	A private company in Macau, the principal activities of which include construction works	Mainly ELS works	Since 2016	15-60 days	Cheque	6,407	19.4
3	Chan Seng Construction & Engineering Company Limited	A private company in Macau, the principal activities of which include construction works	Mainly concrete works	Since 2017	60 days	Cheque	4,807	14.6
4	Chinney Timwill <i>(Note)</i>	Subsidiary of a public company listed in Hong Kong, the principal activities of which mainly include trading of plastic and chemical products, the provision of building related contracting services, distribution of aviation system and hi-tech products, and property and investment holding	Mainly hard landscaping works	Since 2013	30-60 days	Cheque	4,778	14.5
5	新德寶建築工程有限公司("San Tak Pou Engineering and Construction Company Limited")	A private company in Macau, the principal activities of which include construction works	Mainly steelwork	Since 2016	35-60 days	Cheque	4,258	12.9
<b>Total</b>							28,425	86.2

*Note:* Please refer to descriptions of Chinney Timwill's background as one of the top five customers for FY2016.

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

### **Reasons for subcontracting arrangement**

Subcontracting of works is a usual practice in the Macau construction industry. As the entire process of a construction project involves different kinds of works, it may not be cost effective for us to directly undertake each of the works involved. In addition, subcontractors can provide additional labour with different skills without the need for us to keep them under our employment. As such, we may subcontract some of our works to other subcontractors, depending on the availability of our labour resources and the cost of performing the works with our own resources.

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During the Track Record Period, we mainly delegated certain construction works (mainly including ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works) to subcontractors, after consideration of the need and the cost of each project undertaken by us. In the subcontracting arrangements, we generally require our subcontractors to bear the cost of construction materials, and we will take a supervisory role to regularly monitor the works performed by the subcontractors.

### **Basis of selecting subcontractors**

We evaluate subcontractors taking into account their recent service quality, track records, skills and technique, prevailing market price, competitiveness of pricing, delivery schedule, ability to meet our specifications and requirements, and reputation. Based on these factors, we select and maintain an internal list of approved subcontractors and such list is updated on a continuous basis. As at the Latest Practicable Date, there were more than 40 approved subcontractors on our internal list. When subcontractors are needed for a particular project, we select subcontractors from our list based on their experience relevant to the particular project as well as their availability and fee quotations. We will review and update our internal list of approved subcontractors according to our assessment of their performance on a continuous basis.

### **Control over subcontractors**

In order to ensure subcontractors' compliance with the terms of the subcontracting contracts and the relevant laws, rules and regulations regarding occupational health and safety and environmental protection, we have adopted the following risk management and control measures to reduce our liability exposure:

- closely monitor the work progress and quality of our subcontractors and ensure that they have met safety, environment control requirements by conducting on-site inspections and meetings with them to address such issues and to provide guidance, if necessary;
- conduct regular reviews, checks and inspections on the work done by the subcontractors to ensure that the works done are in line with the contract terms;
- evaluate the work performance and compliance of subcontractors and update our list of approved subcontractors based on the criteria set out above on a regular basis;
- investigate the cause of non-compliance (if any) and take corrective and preventive actions promptly;

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- require workers of our subcontractors to possess safety cards issued by the Macau Government before entering into the worksite;
- supply our subcontractors with our internal guidelines on occupational health and safety and environmental protection issues and on compliance with applicable rules and regulations, and require them to follow;
- require our subcontractors not to employ illegal workers by setting out expressly in our subcontracting contracts; and
- require our subcontractors to indemnify us in case of breach of the applicable laws, rules and regulations by subcontractors which may subject us to liability issues by setting out expressly in our subcontracting contracts.

### MACHINERY

We possess our own machinery for providing different types of construction services. We are therefore not materially dependent on any single third party for machinery leasing. We believe that our investment in machinery has placed us in a position to cater for construction works of different scales and complexity and to meet the expected growing demand in the construction industry in Macau in the foreseeable future.

For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, we acquired new plant and machinery in the amount of approximately MOP2.6 million, MOP4.6 million, MOP2.2 million and nil at costs respectively.

The following table sets out (i) descriptions of the functions of our machinery; and (ii) a breakdown of the number of units of machinery owned by us:

<u>Functions</u>		As at 31	As at 31	As at 31	As at 31	As at the
		December	December	December	May	Latest
		2014	2015	2016	2017	Practicable
		<u>Number of</u>	<u>Number of</u>	<u>Number of</u>	<u>Number of</u>	<u>Number of</u>
		<u>units</u>	<u>units</u>	<u>units</u>	<u>units</u>	<u>units</u>
Excavator and related equipment	Excavate the soil of various types forcefully	17	20	24	24	27
Crane and related equipment	Lift and transport materials and equipment	3	5	8	8	9
Generator	Provide electrical power	1	3	3	3	6

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<u>Functions</u>		<u>As at 31 December 2014</u>	<u>As at 31 December 2015</u>	<u>As at 31 December 2016</u>	<u>As at 31 May 2017</u>	<u>As at the Latest Practicable Date</u>
		<u>Number of units</u>	<u>Number of units</u>	<u>Number of units</u>	<u>Number of units</u>	<u>Number of units</u>
Road Roller	Compact soil, gravel or concrete in the construction of roads and foundations	1	2	2	2	2
Truck mounted platform	Provide temporary access for people or equipment to areas at height	1	1	1	1	1
Survey equipment	Equipment for surveying	-	1	1	1	2

With the possession of our own machinery, we do not have to rely completely on our suppliers for leasing of machinery in relation to our business operations. During the Track Record Period, we leased machinery from independent third parties as described in the section headed “Business – Suppliers” in this prospectus.

### **Safe keeping of machinery**

Machinery that is not in use are generally stored in our storage place which is equipped with locked gates and closed-circuit television security cameras. For details, please refer to the section headed “Business – Properties” in this prospectus.

### **Repair and maintenance**

We perform checks on our machinery prior to sending them to the required site and replace consumable parts after completion of works. Most of the standard repairs and maintenance of our machinery are handled by our in-house mechanic staff. Our in-house mechanics are capable of repairing minor defects in the machinery such as replacing the worn-out or malfunctioning parts and components of a machinery when it becomes out of order. As such, we are able to extend the usable life of our machinery which is more cost-effective than replacing the entire machine with a new one. Routine and minor examination and repairing by our in-house mechanics is less time-consuming and can shorten the idle time during which a malfunctioning or out-of-order machine remains unusable.



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Our Directors believe that good conditions of machinery are important to the efficient and smooth performance of site works and to our workplace safety. Our major types of machinery are inspected regularly and repaired on an as-needed basis. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, the expenses incurred in repair and maintenance of machinery was approximately MOP338,000, MOP373,000, MOP282,000 and MOP186,000 respectively.

### **Service capacity and utilisation rate**

Our Directors consider that due to the nature of our business and operations, it is not feasible and not practicable to quantify and disclose detailed service capacity and utilisation rate of our machinery for the following reasons:

- (a) Different types of machinery have different functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement.
- (b) The utilisation rate of each individual machinery cannot be clearly defined. A typical building and ancillary services project requires the use of different machinery at different stages, and site equipment may from time to time be left unused in active construction sites pending completion of other stages. Site equipment is also sometimes left unused for repairing or maintenance at work sites.
- (c) As set out in the fixed asset register of our Group as at 31 May 2017, we had more than 39 units of machinery and over 6 types of machinery of various sizes and capacity. Given the number of machinery owned by our Group, it is impracticable for our Group to track in details the usage of each individual machinery.

In view of the above, it would be difficult and impracticable to define accurate utilisation rate of machinery in general and to make a full account of the daily/hourly usage of each individual machinery. Nevertheless, we will optimise our operational efficiency and capacity by scheduling the use of suitable machinery at suitable time with reference to the construction method involved in a project.

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### QUALITY CONTROL

We believe that the reliability and quality of our construction works are crucial to the reputation and success of our Group. As such, we have implemented quality control procedures and have documented and kept relevant reports and records covering all aspects and stages of our construction process, from the procurement of raw materials to the completion of construction works, so as to ensure the consistent service quality of our construction projects.

Our executive Directors and senior management are responsible for our overall quality control. For details of their biographical information, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

Overall management	Our project management team is responsible for overseeing the implementation of quality management system. Internal audit on our quality management system is conducted on a regular basis to review and evaluate our compliance with ISO 9001:2015 requirements.
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Procurement and inspection of raw materials	Our procurement department assesses our suppliers based on the criteria set out in the section headed “Business – Suppliers – Selection of Suppliers” in this prospectus. Unless our customers designate the suppliers or provide us with required materials under contra-charge arrangements, we generally procure materials from internal list of approved suppliers which we have performed reasonable assessment to ensure consistency of quality.
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We typically undertake internal sampling and testing of such raw materials to ensure (i) the delivered quantity is correct; and (ii) there is no observable defects, before using them in our construction projects. Any items of materials with defects or which do not comply with our product specifications would be returned to our suppliers for replacement.

Onsite inspections and rectification	We assign our engineering staff to conduct periodic onsite inspections and spot checks and require immediate rectification measures be implemented if any deficiencies are identified. Upon rectification, we re-inspect the quality control issues to ensure that such issues have been resolved.
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Internal records	Inspection results and targets for our construction progress and construction quality will be documented for further follow-up.
Quality control review	Our executive Directors 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 and applicable rules and regulations. Our project managers assist our executive Directors to monitor overall work quality and project progress. Our site agents supervise site workers on a daily basis. Our project managers will timely inform our executive Directors of the project status and any quality issues arising from project execution.
Subcontractors	We assess our subcontractors based on the criteria set out above. We require our subcontractors to fully abide by our quality control measures when performing work for our construction projects. Our site agent conducts regular on-site inspection and regular meetings with our subcontractors to address material issues including quality and compliance issues and ensure the work progress is in line with the scheduled timeline. Please refer to the section headed "Business – Subcontractors" in this prospectus for further details.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims or complaints by our customers in respect of the quality of our construction projects, and there was no incident of failure of our quality control systems that had a material and adverse impact on our business operations.

### SEASONALITY

Save that it is a traditional low season for construction industry during the Chinese New Year, our Directors consider that our Group's business operations do not have any material seasonality.

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### MARKET AND COMPETITION

According to the Frost & Sullivan Report, the estimated revenue of building and ancillary services market in Macau has grown from approximately MOP13.4 billion in 2012 to approximately MOP47.1 billion in 2016, representing a CAGR of approximately 36.9%. Driven by the growing demand for the building and ancillary services from redevelopment of gambling and tourism industry and supportive policies in new construction works, it is expected that building and ancillary services market in Macau will continue to expand at a CAGR of approximately 17.7%, increase from approximately MOP56.7 billion in 2017 to approximately MOP108.8 billion in 2021.

In general, the building and ancillary service industry in Macau is quite competitive, with around 500 players in the market and the presence of Hong Kong-based players holding considerable market shares.

The competition focus in the Macau building and ancillary services market include: (i) established long-term relationship; (ii) capital capability; and (iii) clear market position.

For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry Overview” in this prospectus.

### HEDGING

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any hedging activity.

### RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any research and development activity nor incurred any research and development expenses.

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### MAJOR QUALIFICATION AND CERTIFICATIONS

The following table sets forth the major qualification and certification held by our Group as at the Latest Practicable Date:

<u>Date of first grant</u>	<u>Recipient</u>	<u>Qualification/ Certification</u>	<u>Awarding authority/ organisation</u>	<u>Expiry date</u>
5 March 2007	Kin Pang	Registration as a construction company	DSSOPT	31 December 2017
5 December 2011	Kin Pang	ISO 9001: 2008 (currently ISO 9001: 2015)	Accredited Certification International Limited	4 December 2020
6 June 2015	Kin Pang	ISO 14001: 2004 (currently ISO 14001:2015)	Accredited Certification International Limited	6 June 2018
6 June 2015	Kin Pang	OHSAS 18001: 2007	Accredited Certification International Limited	6 June 2018

As advised by the Macau Legal Advisers, the registration with DSSOPT as a construction company is subject to renewal on a yearly basis by submitting an application form and provided that the company has (i) office in Macau; (ii) principal business related to construction or fitting-out services; (iii) at least one qualified technician as employee; and (iv) the activity insured. Given that Kin Pang complies with the aforementioned legal requirements, the Macau Legal Advisers are of the view that there is no legal impediment for Kin Pang to renew its registration as a construction company with DSSOPT.

### OCCUPATIONAL HEALTH AND SAFETY

Owing to the inherent dangers of the construction industry, our business operations are subject to certain laws and regulations in Macau relating to occupational health and work safety, details of which are set out in the section headed “Regulatory Overview” in this prospectus. We have put in place internal occupational health and safety policies and procedures to ensure the compliance with such laws and regulations in Macau.

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Our project management team is responsible for overseeing the implementation of our occupational health and safety policies and to ensure that we comply with applicable occupational health and safety standards. We also have designated personnel at each construction site responsible for monitoring the occupation health and safety of our business operations. As at the Latest Practicable Date, we have employed two full-time safety officers who are responsible to (i) prepare and submit investigation report of any occupational accident happened at project site; (ii) carry out safety review and improve safety measures, if necessary, to prevent similar accidents in future; and (iii) update our internal records of accident rate.

### **Our work safety measures**

Our safety policy sets out the following work safety measures:

- 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 employees on site, including subcontractors' employees, are required to receive site safety induction briefing sessions and trainings before they commence work on-site and during the course of execution of project on-site. Topics of our safety training typically cover safety procedures for performing different types of work, safety procedures for emergency and duties and procedures for reporting hazards, incidents, accidents and diseases, and good housekeeping of workplaces.
- All employees on site, including subcontractors' employees, are required to follow the general safety rules adopted by our Group which are communicated to the workers before they commence work. Workers who breach any such rules will be subject to internal disciplinary actions.
- Risk assessments are generally conducted by our engineering staff and safety officers to identify the potential hazards and accidents and provide suggestion on proper preventive measures prior to commencement of works.
- Site inspections are carried out on regular basis by our safety officers on site to ensure strict compliance with the statutory occupational health and safety laws, rules and regulations.
- Specific safety measures in relation to, among others, emergency, working at height, road works or work adjacent to carriageway, sewers and drains, site transport, safe operation of machinery and reporting of hazards and accidents are communicated with workers and documented in detail.

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Our safety department, which is supervised by Mr. Kong, consists of two full-time safety officers. 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. We also keep our customers informed of the safety issues identified from each project through regular safety meetings and submission of safety reports. While our on-site staff may be required to attend regular safety briefings conducted by our customers, we also provide further safety training to our staff covering topics such as our safety measures and requirements and the use of personal protective equipment.

### **Handling and recording of workplace accidents**

Our Group has a proper system in place for handling and recording of work accidents during the Track Record Period and up to the Latest Practicable Date. Set out below are our general procedures for handling and recording of work accidents:

- Upon occurrence of an accident, the relevant worker should inform the site agent of the details of accident as soon as possible, including venue, time, cause of injury, etc.

The site agent should prepare a notice of accident within seven days of the accident (or on the day of accident for fatal case) and send the notice of accident to the project manager and our administrative department detailing the venue, the date and the time of the accident, the name of the injured, the details of the accident and injury and the follow up action performed by the site agent after the occurrence of the accident. Our administrative department maintains a master file for recording all details of injury cases.

- Our administrative department will report the work injury case on time to our main contractor, Labour Affairs Bureau of the Macau Government and the insurance company in accordance with the relevant requirements.

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### Workplace accidents during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, our Group recorded accidents involving a total of 10 workers who were employed by our Group. Our Group has taken out relevant employee's compensation policies during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the section headed "Business – Insurance" in this prospectus. The following table sets out the nature of the accidents recorded during the Track Record Period and up to the Latest Practicable Date:

<u>Date of the accident</u>	<u>Details of the accident and nature of injuries</u>	<u>Total amount settled/claimed</u> <i>(MOP)</i>	<u>Status as at the Latest Practicable Date</u>
20/2/2014	Broken right arm	389,151	Settled
3/11/2014	Slammed left hand and broken left middle finger	98,006	Settled
15/1/2015	Broken right ring finger	22,399	Settled
16/2/2016	Crushing injury finger	20,799	Settled
1/8/2016	Broken right tibia	31,521	Settled
12/8/2016	Crushing injury of right shoulder	4,060	Settled
11/2/2017	Broken left index finger	44,704	Settled
15/4/2017	Strained right foot	1,384	Settled
1/6/2017	Finger cut	3,803	Settled
7/6/2017	Slammed left index finger and middle finger	527	Settled



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### Analysis of accident rates

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 Macau between our Group and the industry average during the Track Record Period:

	<b>Industry average in Macau</b> <i>(Note 1)</i>	<b>Our Group</b> <i>(Note 2)</i>
	<hr/>	<hr/>
<b>2014</b>		
Accident rate per 1,000 workers	23.3	23.6
Fatality rate per 1,000 workers	0.15	nil
<b>2015</b>		
Accident rate per 1,000 workers	25.5	13.6
Fatality rate per 1,000 workers	0.20	nil
<b>2016</b>		
Accident rate per 1,000 workers	23.6	44.7
Fatality rate per 1,000 workers	0.20	nil
<b>Five months ended 31 May 2017</b>		
Accident rate per 1,000 workers	N/A <i>(Note 3)</i>	24.1
Fatality rate per 1,000 workers	N/A <i>(Note 3)</i>	nil

*Notes:*

1. Source: Labour Affairs Bureau of the Macau Government.
2. Our Group's accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average of the construction site workers in our Group's projects during the year/period.
3. The relevant data has not been published as at the Latest Practicable Date.

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The following table sets forth our Group's lost time injuries frequency rate ("LTIFR") during the Track Record Period:

	<b>LTIFR</b> <i>(Note)</i>
For the year ended 31 December 2014	8.47
For the year ended 31 December 2015	4.89
For the year ended 31 December 2016	15.91
For the five months ended 31 May 2017	20.91

*Note:* LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year/period by 1,000,000 divided by the number of hours worked by site workers over the same year/period. It is assumed that the working hour of each worker is 9.17 hours per day.

The accident rate of our Group increased from 13.6 for 2015 to 44.7 for 2016. Our Directors consider that the aforesaid increase does not reflect negatively of our overall safety system in place because: (i) the three accidents which took place in FY2016, including broken tibia and crushing injury to finger and shoulder, are relatively minor in nature; and (ii) all of these three accidents were settled as at the Latest Practicable Date and the compensation amount paid ranged from MOP4,060 to MOP44,704, which also indicated the seriousness of the injuries suffered was relatively low.

In FY2014 and FY2016, our Group recorded accidents rates of 23.6 and 44.7, which were higher than the industry average in Macau of 23.3 and 23.6 for the same periods, respectively. Our Directors consider that our safety measures and system are adequate and effective due to the following reasons:

- (i) the injuries suffered by our workers mainly included broken fingers and arm as well as crushing injury to shoulder, which were not of serious types in nature;
- (ii) for the five months ended 31 May 2017, our accident rate has reduced to 24.1 which was 46% lower than our accident rate in 2016;
- (iii) our occupational health and safety management system was assessed and certified to have complied with the requirements of OHSAS 18001 standard;
- (iv) in light of our higher accident rates for FY2014 and FY2016, since April 2017, our Group has enhanced our work safety measures and required our employees and subcontractor's employees to strictly comply. For further details, please refer to the sub-paragraph headed "Our work safety measures" above; and

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- (v) we place emphasis on ensuring our workers' safety and have received recognitions of our efforts in this regard during the Track Record Period. In 2014, we have received bronze award in the category of Special Construction Projects (特別工程項目) under the Work Safety Award Scheme (安全施工獎勵計劃) organised by the Labour Affairs Bureau of the Macau Government. In 2016, we have received excellent award in the categories of Special Construction Projects and Safety Management System (安全管理制度) under the Work Safety Award Scheme.

Save as disclosed above, 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.

### ENVIRONMENTAL MATTERS

We are subject to a number of environmental and safety laws and regulations in Macau details of which are set out in the section headed "Regulatory Overview" in this prospectus.

Since June 2015 and up to the Latest Practicable Date, we were assessed and certified to have complied with the requirements of ISO 14001:2004 (currently ISO 14001:2015) for our environmental management system. Our environmental management system includes measures and work procedures governing environmental protection compliance that are required to be followed by our employees and our subcontractors.

Our Group generally requires its subcontractors to comply with all applicable laws and regulation in Macau and the rules and regulations of the relevant construction site including those relevant to environmental protection. In addition, our subcontractors are required to remove debris of their works to designated locations within the site.

Our Directors confirm that we are usually required to remove the debris of our works to the designated locations within the site while our customers will be responsible for disposal of the debris from the work sites. Therefore, during the Track Record Period, we incurred nil expenses in relation to the compliance with applicable environmental requirements. We estimate that our annual cost for compliance of environmental law and regulation going forward will be at a level similar to that during the Track Record Period.

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

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### INSURANCE

During the Track Record Period, we have taken out insurance policies as set out below. Our Directors consider that our insurance coverage is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice. For each of FY2014, FY2015, FY2016 and five months ended 31 May 2017, our total insurances premiums incurred were approximately MOP0.4 million, MOP0.4 million, MOP0.4 million and MOP0.2 million respectively.

In projects where our Group acts as main contractor, our Group is generally responsible for taking out all necessary insurances for itself and its subcontractors such as employees' compensation, contractors all risk insurance and third party liability insurance. In other projects where our Group acts as subcontractor, it is generally the obligations of the relevant main contractor or project employer to take out the aforesaid insurance policies.

Certain risks disclosed in the "Risk Factors" section of this prospectus are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

### EMPLOYEES

#### Number of employees

As at the Latest Practicable Date, we had 76 employees (including our two executive Directors but excluding our three independent non-executive Directors). All of our employees are stationed in Macau, save as two administration, accounting and finance staff who are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by functions:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at the Latest Practicable Date
Directors	2	2	2	2
Administration, accounting and finance	3	5	7	10
Project management and supervision	9	12	14	13
Technicians and machinery operators	13	13	14	21
Direct site workers	<u>21</u>	<u>22</u>	<u>27</u>	<u>30</u>
<b>Total</b>	<u>48</u>	<u>54</u>	<u>64</u>	<u>76</u>

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### Relationship with staff

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

### Training and recruitment policies

We generally recruit our employees from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group from time to time.

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

### Remuneration policy

The remuneration packages that our Group offers to employees includes salary, discretionary bonuses and other cash subsidies. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. 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 raises, bonuses and promotions.

## PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties for our operations:

<u>Address</u>	<u>Landlord</u>	<u>Gross floor area</u>	<u>Use of the property</u>	<u>Key terms of tenancy</u>
L17 Pak Tak (China Civil Plaza), No. 249-263 Alameda Dr. Carlos d'Assumpção, Macau (澳門宋玉生廣場249-263號 百德大廈(中土)L17)	Mr. Kong Kin I and Ms. Choi Fong Lan (Note 1)	Approximately 214.04 sq.m.	Office	Monthly rental of HK\$41,000 with tenancy period up to 31 December 2018
206, Estrada de Nossa Senhora de Ka- Ho, Coloane, Macau (澳門路環九澳聖母馬路206號)	Independent third party	Approximately 1,394 sq.m.	Temporary storage and logistics transit site	Monthly rental of HK\$97,500 with tenancy period up to 4 January 2019
Office No. 5, 20/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong (香港永樂街148號南和行大廈20樓5號 辦公室)	Independent third party	Approximately 91.8 sq.m.	Office	Monthly rental of HK\$25,000 with tenancy period up to 31 July 2020

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## BUSINESS

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*Notes:*

1. Mr. Kong and Ms. Choi are connected persons of our Company. Please refer to section headed “Continuing Connected Transactions” in this prospectus for further details of our lease arrangement with Mr. Kong and Ms. Choi.

As at 31 May 2017, no single property interest forming part of our Group’s non-property activities had a carrying amount of 15% or more of our total assets. Thus, this prospectus is exempted from compliance with the requirements of Rules 5.01A and 5.01B of the Listing Rules and the requirements of section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with respect to the inclusion of a property valuation report in this prospectus. Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

### **INTELLECTUAL PROPERTY**

As at the Latest Practicable Date, our Group had applied for registration of one trademark in Hong Kong, and our Group is the owner of one domain name which is material to the business of our Group for use in email system and/or website operations. Please refer to the section headed “B. Further Information about the Business of Our Group – 2. Intellectual Property Rights” in Appendix IV to this prospectus.

Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registration) that are significant to our business operations or financial positions.

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

### **RISK MANAGEMENT**

During the Track Record Period, we assessed and managed the risks arising from our operations based on the experience of our Group’s management and our professional and technical staff. In order to improve our internal control and risk management system in the future, we have established the following on-going process for identifying, evaluating and managing the significant risks face by our Group. The key procedures that we have established and implemented are summarised as follows:

- (i) risks will be identified by our management team and reviewed by our Board;

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## BUSINESS

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- (ii) action plan will be considered, so long as the risk is required to be recognised, addressed and mitigated;
- (iii) our Board will monitor regulatory compliance by our Group. Further risk may be identified through communications between the heads of different departments and from public information; and
- (iv) our Group has appointed Red Sun Capital Limited as our compliance adviser (with effect from the Listing Date) to give advice to our Board on regulatory compliance with the Listing Rules and the SFO.

### INTERNAL CONTROL

Our Group has appointed an independent internal control consultant which has completed follow-up reviews on the enhanced internal control measures in July 2017 and confirmed to be unaware of any material unrectified weaknesses. Taking into account the facts that (i) there were no findings of material weakness or material insufficiency in our Group's enhanced internal control system after the follow-up reviews by the internal control consultant; and (ii) our Group has properly implemented the enhanced internal control measures recommended by the internal control consultant, the Directors are of the view that the enhanced internal control measures are adequate and effective for our Group's operations.

### NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group did not record any non-compliance that is material or systemic in nature.

### LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, our Group has been involved in a number of claims and litigations. As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

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## BUSINESS

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### Concluded cases

During the Track Record Period and up to the Latest Practicable Date, our Group has settled the following claims, which were covered by insurance policies:

<u>No.</u>	<u>Date of accident</u>	<u>Details of the accident and nature of injuries</u>	<u>Covered by insurance</u>
1.	20 February 2014	An employee of our Group sustained injuries to his right arm during the course of work.	Yes
2.	1 August 2016	An employee of our Group sustained injury to his right tibia during the course of work.	Yes
3.	15 April 2017	An employee of our Group sustained injury to his right foot during the course of work.	Yes
4.	1 June 2017	An employee of our Group suffered finger injuries during the course of work.	Yes
5.	11 February 2017	An employee of our Group sustained injury to his left index finger during the course of work.	Yes

Given that the aforesaid five concluded claims were covered by insurance, our Directors consider that there has been no material adverse impact on our operational and financial performance as a result of such claims.

### No provision for ongoing claims in relation to work-related injuries

No provision has been made by our Group for the ongoing claims in relation to work-related injuries. Insurance policies have been taken out in compliance with applicable laws and regulations with a view to providing sufficient coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, the work accidents concerning our employees did not and are not expected to have a material impact on our Group's operations. For further details of our insurance policies, please refer to the paragraph headed "Insurance" in this section.



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## BUSINESS

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

Our Controlling Shareholders have entered into a Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any ongoing outstanding and potential claims, claims of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the section headed “E. Other information – 1. Tax and Other Indemnities” in Appendix IV to this prospectus.

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## CONTINUING CONNECTED TRANSACTIONS

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### OVERVIEW

We have entered into a transaction with parties who are our connected persons and such transaction will continue following the Listing Date, thereby constitutes a continuing connected transaction of our Group under Chapter 14A of the Listing Rules.

### EXEMPT CONTINUING CONNECTED TRANSACTION

Set out below is a summary of such continuing connected transaction which is fully exempt from the relevant reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Our Directors confirm that such transaction has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and is fair and reasonable and in the interest of our Company and our Shareholders as a whole.

#### The New Lease Agreement

On 25 July 2017, a lease agreement (the “**New Lease Agreement**”) was entered into between Mr. Kong and Ms. Choi, as the landlords, and Kin Pang, as the tenant, in respect of the property located at L17 Pak Tak (China Civil Plaza), No. 249-263 Alameda Dr. Carlos d'Assumpção, Macau (澳門宋玉生廣場249-263號百德大廈(中土)L17)(the “**Office**”) with a gross floor area of approximately 214.04 sq.m. Under the New Lease Agreement, Mr. Kong and Ms. Choi leased the Office to Kin Pang for an initial term commencing from 25 July 2017 to 31 December 2018, at a monthly rent of HK\$41,000, exclusive of water, electricity, gas charges and management fee which are payable by the tenant. We have the right to renew the New Lease Agreement, for consecutive terms of three years at our own discretion upon serving Mr. Kong and Ms. Choi not less than three months' written notice, prior to the expiration of the New Lease Agreement. Upon the renewal of the New Lease Agreement, the rent shall be adjusted and mutually agreed between the parties with reference to the prevailing market rent and on normal commercial terms or on terms no less favourable to us than those available to Independent Third Parties.

The monthly rent of the Office for the initial term of the lease was determined after arm's length negotiation between the parties with reference to the market rent of the Office as assessed by an independent property valuer. During the Track Record Period, the Office was provided to us for office use at nil consideration from 1 January 2014 to 31 December 2016. On 1 January 2017, Mr. Kong and Ms. Choi, as the landlords, entered into a lease agreement (the “**Lease Agreement**”) with Kin Pang, as the tenant, in respect of the Office, pursuant to which the Office was leased to Kin Pang for office use at a monthly rent of HK\$48,300 from 1 January 2017 to 31 December 2018. Pursuant to the New Lease Agreement, the Lease Agreement was terminated and replaced by the New Lease Agreement on 25 July 2017.

The proposed annual cap of the rent under the New Lease Agreement for each of the two years ending 31 December 2017 and 2018 will not exceed HK\$650,000.

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## CONTINUING CONNECTED TRANSACTIONS

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As Mr. Kong and Ms. Choi are our executive Directors and our Controlling Shareholders, both Mr. Kong and Ms. Choi are connected persons pursuant to the Listing Rules. Accordingly, the lease of the Office under the New Lease Agreement, which took effect on 25 July 2017 and continue after the Listing, will constitute a continuing connected transaction entered into by us under the Listing Rules.

As the relevant applicable percentage ratios with respect to the transaction contemplated under the New Lease Agreement on an annual basis are less than 5% and less than HK\$3,000,000, such transaction will, pursuant to Rule 14A.76(1) of the Listing Rules, constitute a de minimis continuing connected transaction which will be fully exempt from the relevant reporting, announcement and Shareholders' approval requirements.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of any option which may be granted under the Share Option Scheme), 67.0% of the issued share capital of our Company will be owned by Fortunate Year. Fortunate Year is owned as to 60% by Mr. Kong and 40% by Ms. Choi. In view of the above, Mr. Kong, Ms. Choi and Fortunate Year will be considered to be a group of our Controlling Shareholders within the meaning of the Listing Rules.

### RULE 8.10 OF THE LISTING RULES

Save as disclosed below, our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

During the Track Record Period, Mr. Kong and Ms. Choi were interested in a number of entities in Macau, which were engaged in certain services related to construction works but have not been included in our Group (the "**Excluded Entities**"). The following table sets out the details of such entities and the reasons for not including them in our Group.

<b>Name</b>	<b>Principal business</b>	<b>Reasons for not being included in our Group</b>
Kin Hang Machinery Equipment Company Limited (" <b>Kin Hang</b> ")	formerly carried out (i) asphalt road works and excavation works; and (ii) leasing of site equipment, and currently carries out leasing of construction machinery only.	<p>Kin Hang was incorporated on 11 September 2012 and is owned as to 80% by Ms. Choi and 20% by Ms. Kong Pou Ian (龔寶欣), a daughter of Mr. Kong and Ms. Choi.</p> <p>During 2014 and 2015, Kin Hang carried out (i) certain asphalt road works and excavation works; and (ii) leasing of temporary hoardings and H-iron beams to Kin Pang. Since October 2015, Kin Hang ceased providing the abovementioned services to our Group and focused on the business of leasing of construction machinery, which is different from the principal business of our Group.</p>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name	Principal business	Reasons for not being included in our Group
Hang Kin	leasing of construction machinery	<p data-bbox="916 357 1358 683">For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our subcontracting expenses to Kin Hang amounted to nil, MOP5.2 million, nil and nil, while our rental expenses of site equipment to Kin Hang amounted to MOP6.8 million, MOP0.8 million, nil and nil, respectively.</p> <p data-bbox="916 732 1358 1023">Since its incorporation on 16 November 2011 and up to the Reorganisation, Hang Kin was owned as to 50% by Kin Pang and 50% by 桁通基礎工程有限公司 (Hang Tung Foundation Engineering Company Limited*), an Independent Third Party.</p> <p data-bbox="916 1072 1358 1619">Hang Kin carries out leasing of construction machinery, which is different from the principal business of our Group. On 5 July 2017, Kin Pang disposed of the 50% equity interest in Hang Kin to Kin Hang, upon which our Group ceased to hold any interest in Hang Kin. For more details of such disposal, please refer to the section headed “History, Reorganisation and Group Structure – Reorganisation – Disposal of Interest in Hang Kin” in this prospectus.</p>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name	Principal business	Reasons for not being included in our Group
<p>Construtor Civil Kong Kin I (“<b>Construtor Civil Kong Kin I</b>”)</p>	<p>small government construction and renovation works</p>	<p>For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our interest income from Hang Kin amounted to approximately MOP0.1 million, MOP0.1 million, nil and nil, respectively. For details about our loan to Hang Kin, please refer to Note 20 of the Accountants’ Report in Appendix I to this prospectus.</p> <p>Construtor Civil Kong Kin I is a sole proprietorship registered by Mr. Kong according to the laws of Macau.</p> <p>Construtor Civil Kong Kin I mainly undertakes small construction and renovation works that are awarded by the Macau Government. Such works are secured mainly through direct invitation for tender or quotation by the relevant government departments and are of a contract sum ranging from approximately MOP2,000 to MOP2.0 million during the Track Record Period. During the Track Record Period, Constructor Civil Kong Kin I undertook only one non-government project, generating income of approximately MOP0.1 million therefrom.</p> <p>During the Track Record Period, Construtor Civil Kong Kin I also undertook certain subcontract work (mainly including excavation works and water pipe works) for our Group. For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our subcontracting expenses to Construtor Civil Kong Kin I amounted to approximately MOP0.4 million, MOP1.7 million, nil and nil, respectively.</p>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name	Principal business	Reasons for not being included in our Group
		<p>Under the Deed of Non-competition, Mr. Kong and Ms. Choi undertake in favour of our Group, among others, that Construtor Civil Kong Kin I will not engage in any construction-related business and/or any activities of similar nature after the Listing, which has or will likely have direct competition with our Group's business without our Company's prior written consent, save as the business opportunities of construction and renovation works from the Macau Government by way of direct invitation for tender or quotation and with a contract sum not exceeding MOP2.5 million for each single project (the "<b>Government Project(s)</b>"), in which event Construtor Civil Kong Kin I is allowed to pursue such opportunity only if (1) Construtor Civil Kong Kin I has given written notice to our Company containing all key information of the invitation and the Government Project; and (2) (a) Construtor Civil Kong Kin I has received a written notice from us confirming (i) that our Group has not been invited for tender or quotation for the Government Project; or (ii) that our Group is not intended to submit a tender or quotation for the Government Project, or (b) Construtor Civil Kong Kin I has not received the above notice from us within ten business days from our receipt of the notice of the Government Project by Construtor Civil Kong Kin I (the "<b>Construtor Civil Kong Kin I Undertakings</b>").</p>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name	Principal business	Reasons for not being included in our Group
Kin Yu Construction and Real Estate Company Limited (“ <b>Kin Yu</b> ”)	(i) excavation works and (ii) leasing of site equipment and machinery	<p>Kin Yu was incorporated on 11 September 2012 and owned as to 50% by Mr. Kong and 50% by Ms. Kong Pou Ian (龔寶欣), a daughter of Mr. Kong and Ms. Choi.</p> <p>During 2014 and 2015, Kin Yu mainly carried out (i) excavation works; and (ii) leasing of site equipment and machinery to Kin Pang. Kin Yu ceased operation in June 2015 and was voluntarily deregistered on 20 May 2017.</p> <p>For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our subcontracting expenses to Kin Yu amounted to MOP3.2 million, MOP4.0 million, nil and nil, while our rental expenses of site equipment to Kin Yu amounted to MOP2.9 million, MOP1.8 million, nil and nil, respectively.</p>
風程建築有限公司 (Fung Ching Construction Company Limited*) (“ <b>Fung Ching</b> ”)	leasing of sludge trucks	<p>Fung Ching was incorporated on 27 August 2013 and owned as to 90% by Ms. Choi and 10% by Mr. Kong Chan U (龔振宇), the son of Mr. Kong and Ms. Choi.</p> <p>During 2014 and 2015, Fung Ching provided leasing of sludge trucks to Kin Pang. Fung Ching ceased operation in September 2015 and was voluntarily deregistered on 5 January 2017.</p>



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name	Principal business	Reasons for not being included in our Group
		For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our rental expenses of site equipment to Fung Ching amounted to MOP0.6 million, MOP1.2 million, nil and nil, respectively.
嘉臻土木工程有限公司 (Ka Chun Civil Engineering Company Limited*) (“ <b>Ka Chun</b> ”)	leasing of generators	<p>Ka Chun was incorporated on 27 August 2013 and owned as to 90% by Ms. Choi and 10% by Ms. Kong Ka Wan (龔嘉韻), a daughter of Mr. Kong and Ms. Choi.</p> <p>During 2014 and 2015, Ka Chun provided leasing of generators to Kin Pang. Ka Chun ceased operation in July 2015 and was voluntarily deregistered on 4 January 2017.</p> <p>For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our rental expenses of site equipment to Ka Chung amounted to MOP0.7 million, MOP1.1 million, nil and nil, respectively.</p>
薈思建築設計有限公司 (Wui Si Construction Design Company Limited*) (“ <b>Wui Si</b> ”)	leasing of boom lift	Wui Si was incorporated on 27 August 2013 owned as to 80% by Ms. Choi, 10% by Ms. Kong Pou Ian (龔寶欣) and 10% by Ms. Kong Ka Wan (龔嘉韻).

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Name	Principal business	Reasons for not being included in our Group
		<p>During 2014 and 2015, Wui Si mainly provided leasing of boom lift to Kin Pang. Wui Si ceased operation in May 2015 and was voluntarily deregistered on 31 May 2017.</p> <p>For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our rental expenses of site equipment to Wui Si amounted to MOP0.5 million, MOP0.3 million, nil and nil, respectively.</p>
<p>Construção Kin Pang (建鵬建築工程)  (“<b>Construção Kin Pang</b>”)</p>	water pipe works	<p>Construção Kin Pang is a sole proprietorship registered by Mr. Kong according to the laws of Macau.</p> <p>During 2014 and 2015, Construção Kin Pang mainly carried out water pipe works to Kin Pang. Construção Kin Pang ceased operation in October 2016 and cancelled registration on 1 June 2017.</p> <p>For each of FY2014, FY2015, FY2016 and the five months ended 31 May 2017, our subcontracting expenses to Construção Kin Pang amounted to MOP1.2 million, MOP0.8 million, nil and nil, respectively.</p>

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### *Delineation between Construtor Civil Kong Kin I and our Group*

Construtor Civil Kong Kin I is registered under the list of contractors for invitation tenders from the Macau Government. As advised by the Macau Legal Advisers, as a prerequisite for receiving tender invitation from the Macau Government for public works (which primarily consist of small construction works), a contractor has to be registered by the Macau Government under the appropriate category of construction works. Tender invitation for government projects awarded are sent to registered contractors selected through official balloting.

Based on the aforesaid and given the non-competition undertakings given by Mr. Kong and Ms. Choi in favour of our Group (as discussed above in this paragraph), our Directors consider that there are adequate and effective measures in preventing competition between Construtor Civil Kong Kin I and our Group due to the following reasons:

- (i) if only either Construtor Civil Kong Kin I or our Group receives tender invitation for the government project, there would be no potential competition between them because only the party which had received the invitation, as determined by official balloting, may submit tender to compete for the project;
- (ii) if both Construtor Civil Kong Kin I and our Group receive tender invitations for the government projects, Construtor Civil Kong Kin I is allowed to pursue such projects only if our Group decides not to exercise its right to tender the project pursuant to the Deed of Non-competition (as discussed above in this paragraph);
- (iii) the business focus of Construtor Civil Kong Kin I and our Group is different. During the Track Record Period, Construtor Civil Kong Kin I only undertook government projects with a contract sum at or below MOP2.0 million (“**Small Government Projects**”) (as discussed above). Construtor Civil Kong Kin I has focused on Small Government Projects mainly because of the exposure of its owner personally to potential financial and legal risks involved in using a sole proprietorship entity in obtaining sizeable projects. Meanwhile, during the Track Record Period, only a minor portion of our Group’s revenue was derived from Small Government Projects.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iv) For FY2014, FY2015, FY2016 and the five months ended 31 May 2017, the revenue contribution from Small Government Projects to our Group was 1.5%, 1.5%, 0.4% and nil, respectively. For FY2014, FY2015, FY2016 and the five months ended 31 May 2017, there were only 1, 4, 2 and 3 government projects for which both Construtor Civil Kong Kin I and our Group received tender invitations from the government. Among these 10 projects, our Group was awarded with 2 projects with awarded contract sum of approximately MOP1.1 million in total, while Construtor Civil Kong Kin I was awarded with 1 project with awarded contract sum of approximately MOP1.6 million. Therefore, although both Construtor Civil Kong Kin I and our Group are qualified to receive tender invitations, having considered the difference in the business focus of Construtor Civil Kong Kin I and our Group, and the limited revenue contribution from Small Government Projects to our Group, our Directors believe that the risk of potential competition between them is immaterial; and
- (v) our Group has implemented corporate governance measures through the participation of our independent non-executive Directors in ensuring sufficient quorum and independent presence in our Board in case of our Controlling Shareholders being required to abstain from voting due to conflict of interests. Please refer to the section headed “Relationship with our Controlling Shareholders – Corporate Governance Measures” in this prospectus for further details.

### ***Reasons for non-inclusion of Construtor Civil Kong Kin I in our Group***

Based on the advice of the Macau Legal Advisers, our Directors decided not to include Construtor Civil Kong Kin I in our Group because: (i) as a sole proprietor which has no separate legal standing from its owner (i.e. Mr. Kong), Construtor Civil Kong Kin I is not being capable of being acquired by our Group by way of share transfer; and (ii) if Construtor Civil Kong Kin I is acquired by our Group by way of transfer of its business and assets, its registration with the Macau Government may become void because upon completion of the business transfer, Construtor Civil Kong Kin I would cease to have any legal capacity to carry out any business activities. Mr. Kong has also confirmed that he has no intention to inject Construtor Civil Kong Kin I into our Group in the future due to the same reasons above.

In view of the aforesaid, Mr. Kong currently intends to maintain the operation of Construtor Civil Kong Kin I because: (i) Construtor Civil Kong Kin I was first established by Mr. Kong himself back in 1991 as his first business venture in the Macau construction industry prior to the establishment of our Group; and (ii) maintaining the operation of Construtor Civil Kong Kin I is unlikely to pose any risk of competition that is material to our Group as explained above.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors are of the view that the related party transactions with the companies named above were conducted at arm's length and on normal commercial terms, and would not distort our Group's results of operations over the Track Record Period or make our Group's historical results over the Track Record Period not reflective of the expectations for our Group's future performance.

During the Track Record Period, none of the Excluded Entities were the subject of any regulatory investigations, material disputes or claims, litigation or legal proceedings. Save as Kin Yu, Fung Ching, Ka Chun, Wui Si and Construção Kin Pang which had been deregistered and Hang Kin which had been disposed by our Group, each of the Excluded Entities was validly subsisting as at the Latest Practicable Date.

In relation to the compliance status of the Excluded Entities and the projects held by them, the Sponsor has conducted independent due diligence works which include the followings: (i) obtained and reviewed the corporate documents of the Excluded Entities; (ii) conducted desktop search on the Excluded Entities and did not notice any regulatory investigation, material disputes or claims, ongoing litigation or legal proceedings against Excluded Entities; and (iii) conducted litigations search on the Excluded Entities via an independent investigation agent, and did not notice any on-going material legal proceedings against the Excluded Entities. Having considered the above due diligence works performed in relation to the Excluded Entities, the Sponsor is not aware that the Excluded Entities were involved in any regulatory investigations, material disputes or claims, litigation or legal proceedings during the Track Record Period, and has no reasonable doubt on the validity of their subsistence (apart from Kin Yu, Fung Ching, Ka Chun, Wui Si, Construção Kin Pang and Hang Kin) as at the Latest Practicable Date.

Our Directors are of the view that the businesses in which Mr. Kong and/or Ms. Choi are interested as mentioned above are clearly delineated from those of our Group, and that such businesses do not and are not likely to compete with the business of our Group for the following reasons:

- (i) Both Kin Hang and Hang Kin are, and will be after the Listing, principally engaged in the business of leasing of construction machinery, which is different from the principal business of our Group;
- (ii) In contrast to the projects undertaken by our Group, which were mainly from private sector and relatively more sizable, Construtor Civil Kong Kin I has been focusing on small projects awarded by government departments of Macau through direct invitation for tender or quotation, which are of a contract sum ranging from approximately MOP2,000 to MOP2.0 million during the Track Record Period;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iii) Construtor Civil Kong Kin I had maintained limited size of operation since its establishment and throughout the Track Record Period, in particular, generating revenue of MOP6,760,000, MOP6,020,000 and MOP7,971,500 for FY2014, FY2015 and FY2016, respectively; and
- (iv) Mr. Kong and Ms. Choi have given the Construtor Civil Kong Kin I Undertakings in favour of our Group under the Deed of Non-competition.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group will be able to be independent from our Controlling Shareholders and their respective close associates in management, operation and finance.

#### Management independence

Our Board and the senior management of our Company, rather than any individual Director, are responsible for the strategies, management, operation and affairs of our Group. Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. Our Board and the senior management operate independently from our Controlling Shareholders. All material and important corporate acts of our Group are considered and determined by our Board as a whole.

None of the independent non-executive Directors is connected to our Controlling Shareholders or any of their respective close associates. Our Board is able to ensure that our Board is capable of making independent decisions on any matters even in the case of potential conflicts of interest and/or material interest for any executive Director.

Our Group has put in place corporate governance procedures to protect the interest of and maximise the value of our Shareholders. Each Director is fully aware of his/her fiduciary duty to our Company and will abstain from voting in respect of any matters involving conflicts of interest or potential conflicts of interest for him/her in accordance with the Articles and the Listing Rules. In case both of Mr. Kong and Ms. Choi are required to abstain from voting at the Board meeting due to potential conflict of interests, the three independent non-executive Directors will be able to form a quorum to ensure that the decisions of the Board are made after due consideration of independent and impartial opinions. Given the experience of the independent non-executive Directors, details of which are set out in the section headed “Directors, Senior Management and Staff – Independent Non-executive Directors” in this prospectus, our Company believes that the remaining Board can still function properly in the event that both of Mr. Kong and Ms. Choi are required to abstain from voting.

Our Board is supported by the senior management of our Company in formulating business plans and strategies of our Group. The day-to-day management and operation of our Company is independent from our Controlling Shareholders and their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Operational independence**

We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates, to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate and manage independently.

Our Group holds all the trademarks and domain names that are material to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

As at the Latest Practicable Date, our Group occupied two properties for office use. One of the properties is leased from Mr. Kong, please refer to the section headed “Continuing Connected Transactions – Exempt Continuing Connected Transaction” in this prospectus for details.

Save for the related party transactions as disclosed in the section headed “Financial Information – Related party transactions” in this prospectus, which were entered into between us and entities controlled by our Controlling Shareholders, we have independent access to suppliers, subcontractors and customers, and an independent management team to handle our daily operations. We have our own headcount of employees for our operations and management for human resources.

Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the Listing.

### **Financial independence**

During the Track Record Period, our Controlling Shareholders and/or entities controlled by them have provided guarantees and securities for certain of our bank borrowings, please see the section headed “Financial Information – Indebtedness” and note 18 of “Accountants’ Report” in Appendix I to this prospectus for further details. All such guarantees and securities provided to our Group will be released and replaced by a corporate guarantee provided by our Company upon the Listing.

Our Directors believe that our Company is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders. Our Directors therefore believe that our Company will have independent access to bank financing after the Listing through the provision of corporate guarantees and/or other security by our Group. Moreover, our Directors believe that the sustainability of the business as demonstrated by our Company’s results of operation and financial position during the Track Record Period will enhance our Company’s ability to obtain or renew the loans from banks without recourse to our Controlling Shareholders after Listing. As such, our Directors consider that our Company is financially independent of our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### NON-COMPETITION UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Apart from the Constructor Civil Kong Kin I Undertakings given by Mr. Kong and Ms. Choi as set out in the section headed “Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules”, each of our Controlling Shareholders (collectively, the “Covenantors”), has given certain non-competition undertakings in favour of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, jointly and severally, warrants and undertakes with our Company that, from the Listing Date and ending on the occurrence of the earlier of,

- (a) any of the Covenantors, and his/her/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; or
- (b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason),

he/she/it will not, and will procure any of his/her/its close associates and any company directly or indirectly controlled by he/she/it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong or Macau and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to providing (i) building and ancillary services and (ii) emergency repair services, but excluding Constructor Civil Kong Kin I and its business operation (the “**Restricted Business**”). Such non-competition undertakings do not apply to:

- (i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Covenantor and his/her/its close associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iii) the contracts or other agreements entered into between our Group and the Covenantor and/or his/her/its close associates; and
- (iv) the involvement, participation or engagement of the Covenantor and/or his/her/its close associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

### **New business opportunity**

The Covenantors have further undertaken to procure that, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to the Covenantors and/or any of their close associates (other than members of our Group) (the “**Offeror**”) is first referred to us in the following manner:

- (a) the Covenantors are required to, and shall procure their close associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”);
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within ten business days from our receipt of the Offer Notice;
- (c) if there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer to the New Opportunity as so revised to us in the manner as set out above; and
- (d) upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter (the “**Independent Board Committee**”) as to whether (a) such New Opportunity would constitute competition with our core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### General undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of the Covenantors shall:

- (a) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;
- (b) procure our Company to disclose to the public either in our annual report or issuing a public announcement in relation to any decisions made by the Independent Board Committee with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (c) where the Independent Board Committee shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in our annual report, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the Listing Rules;
- (d) where the Independent Board Committee has rejected the New Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Opportunity and the basis thereof; and
- (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Opportunity and the basis thereof.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company:

- (a) our Directors will comply with our Articles of Association which require the interested Director to absent themselves from any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is interested. Any such resolution shall only be passed by the affirmative votes of at least half of the total number of the voting Directors who are not associated with any counterparty of the transactions or have any interest therein;
  
- (b) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision making process and provide independent advice to our Board and Shareholders. The independent non-executive Directors are well-educated and have extensive experience in their profession. The Directors believe that the independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. Our Directors also believe that the presence of the Directors from different backgrounds provides a balance of views and opinions. Details of the independent non-executive Directors are set out in the section headed “Directors, Senior Management and Staff – Independent Non-executive Directors” in this prospectus. Please also refer to the section headed “Directors, Senior Management and Staff – Composition of our independent non-executive Directors in the Board” in this prospectus for further information.

In addition, our Directors, including our independent non-executive Directors, will be able to seek advice from the senior management who are independent from our Controlling Shareholders as well as independent professional advice from external parties (such as financial advisers) where necessary, including but not limited to in the event that our independent non-executive Directors are required to resolve on matters where Mr. Kong and Ms. Choi are required to abstain from voting due to conflict of interests;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (c) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Deed of Non-competition executed by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure the entities controlled by them and their close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. We will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-competition and other connected transaction agreements in our annual report;
- (d) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any business opportunities which is referred to by our Controlling Shareholders or any of their respective close associates (other than our Group) during the year. We will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (e) we have appointed Red Sun Capital Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the Listing Rules and various requirements relating to directors' duties and internal controls; and
- (f) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of five Directors comprising two executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business.

#### Members of our Board

The following table sets forth the information regarding the members of our Board.

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Kong Kin I (龔健兒先生)	47	Chairman, executive Director and chief executive officer	June 2006	22 June 2017	Overall management of the corporate strategic planning, business development and daily operation of our Group	Spouse of Ms. Choi and father of Ms. Kong Ka Wan
Ms. Choi Fong Lan (徐鳳蘭女士)	51	Executive Director	June 2006	22 June 2017	Overall management, administrative matter and daily operation of our Group	Spouse of Mr. Kong and mother of Ms. Kong Ka Wan
Mr. Cheung Wai Lun Jacky (張偉倫先生)	44	Independent non-executive Director	24 November 2017	24 November 2017	Overseeing our Group with an independent perspective and judgment	N/A
Mr. Cheung Kin Wing (張建榮先生)	63	Independent non-executive Director	24 November 2017	24 November 2017	Overseeing our Group with an independent perspective and judgment	N/A
Mr. Zhao Zhipeng (趙志鵬先生)	34	Independent non-executive Director	24 November 2017	24 November 2017	Overseeing our Group with an independent perspective and judgment	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Senior Management

The following table sets forth the information regarding our senior management:

Name	Age	Position	Time of joining our Group	Date of appointment as senior management	Roles and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Fan Cheuk Lun (樊卓倫先生)	38	Financial controller and company secretary	February 2017	22 February 2017	Accounting, financial management and company secretarial matters of our Group	N/A
Ms. Kong Ka Wan (龔嘉韻女士)	24	Human resources and administrative manager of Kin Pang	October 2015	22 October 2015	Overall administrative and human resource management of our Group	Daughter of Mr. Kong and Ms. Choi
Mr. Ng Kin Fai (吳建輝先生)	49	Senior project manager of Kin Pang	May 2013	2 May 2013	Overall management of our Group's construction projects in Macau	N/A

### EXECUTIVE DIRECTORS

**Mr. Kong Kin I (龔健兒先生)**, aged 47, co-founded our Group in June 2006, and was appointed as our Director on 22 June 2017 and was re-designated as our Chairman, executive Director and chief executive officer on 20 July 2017. Mr. Kong is primarily responsible for overall management of the corporate strategic planning, business development and daily operation of our Group. He also serves as the director of each subsidiary of our Company.

Mr. Kong has over 26 years of experience in construction industry. He founded Kin Pang in June 2006 and Construtor Civil Kong Kin I in March 1991 respectively.

Mr. Kong was appointed as a vice president of Macau Association of Concrete Inspection, Maintenance and Waterproofing (澳門混凝土檢測維修及防水工程協會) in March 2016. Mr. Kong was also appointed as a vice president of 澳門順德工商業聯合會 (Shun De Federation and Commercial Union Association of Macao\*) since September 2016. Mr. Kong studied Form 2 level in Sheng Kung Hui Choi Kou School Macau (聖公會(澳門)蔡高中學) in the year of 1983/1984.

Mr. Kong is the husband of Ms. Choi, our executive Director, and the father of Ms. Kong Ka Wan, a member of senior management.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Ms. Choi Fong Lan** (徐鳳蘭女士), aged 51, co-founded our Group in June 2006 and was appointed as our Director on 22 June 2017 and was re-designated as our executive Director on 20 July 2017. Ms. Choi is primarily responsible for overall management, administrative matter and daily operation of our Group. She also serves as the director of each subsidiary of our Company.

Prior to joining our Group, Ms. Choi worked in 祐聯制衣廠有限公司 (Union Garment Factory Limited\*) as a worker from September 1980 to January 1994. Ms. Choi graduated from 青洲小學 (Qingzhou Primary School\*) in Macau in July 1980.

Ms. Choi is the wife of Mr. Kong, our Chairman, executive Director and chief executive officer, and the mother of Ms. Kong Ka Wan, a member of senior management.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cheung Wai Lun Jacky** (張偉倫先生), aged 44, joined our Group and was appointed as an independent non-executive Director on 24 November 2017. Mr. Cheung is primarily responsible for overseeing our Group with an independent perspective and judgment.

Prior to joining our Group, Mr. Cheung has been a consultant of Loeb & Loeb LLP (formerly known as Pang & Co. in association with Loeb & Loeb LLP), a law firm in Hong Kong, since April 2015. Mr. Cheung served as a solicitor in D.S. Cheung & Co., a law firm in Hong Kong, in May 2013 and was further promoted to a partner in July 2014. Mr. Cheung had been a senior associate in Mayer Brown JSM for the periods from November 2008 to September 2012, and from September 2001 to December 2007.

Mr. Cheung has been appointed as an independent non-executive director of CHERISH Holdings Limited (東盈控股有限公司)(Hong Kong stock code: 2113) since September 2016, and he also served as an independent non-executive director of Geotech Holdings Limited (致浩達控股有限公司) (Hong Kong stock code: 1707) since September 2017.

Mr. Cheung is a practising solicitor in Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in November 1998. He obtained a Postgraduate Certificate in Laws and a degree of Bachelor of Laws from The University of Hong Kong in June 1996 and November 1995 respectively.

**Mr. Cheung Kin Wing** (張建榮先生), aged 63, joined our Group and was appointed as an independent non-executive Director on 24 November 2017. Mr. Cheung is primarily responsible for overseeing our Group with an independent perspective and judgement.

Prior to joining our Group, Mr. Cheung has been a director and lead consultant of Sunplex Consultants Limited, a company providing management consulting service and human resources related IT solution service, since February 1999. He was a consultant of the Hong Kong Institute of Certified Public Accountants between April 2008 and August 2008, and a director of the finance and operations department of the Hong Kong Institute of Certified Public Accountants

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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between July 2004 and April 2008. Mr. Cheung had been registered as a practising partner of Coopers & Lybrand (a registered CPA firm that has changed its name to PricewaterhouseCoopers since October 1998) from March 1993 to June 1999, and he had held several other positions in Coopers & Lybrand as follows.

<b>Position</b>	<b>Period</b>
Intermediate	September 1980 – August 1981
Senior	September 1981 – July 1982
Supervisor II	December 1983 – May 1986
Assistant Manager	June 1986 – July 1988
Manager	August 1988 – August 1989
	December 1989 – December 1990
Senior Manager	January 1991 – July 1991

Mr. Cheung has been an independent non-executive director of Trio Industrial Electronics Group Limited (致豐工業電子集團有限公司) (Hong Kong stock code: 1710) since February 2017, an independent non-executive director of ENM Holdings Limited (安寧控股有限公司) (Hong Kong stock code: 0128) since June 2016, an independent non-executive director of BaWang International (Group) Holding Limited (霸王國際(集團)控股有限公司) (Hong Kong stock code: 1338) since November 2014, and an independent non-executive director of Bank of Communications Trustee Limited (交通銀行信託有限公司) since November 2003. Mr. Cheung was also an independent director of AXA China Region Trustees Limited from August 1999 until August 2015.

Mr. Cheung has been a fellow of The Institute of Chartered Accountants in England and Wales since February 2015 and a member of the Hong Kong Institute of Certified Public Accountants since May 1986. He obtained a Bachelor of Commerce from The University of Calgary in Canada in June 1979.

Mr. Cheung was a director of each of the following companies incorporated in Hong Kong, which were dissolved, the details of which are as follows:

<b>Name of company</b>	<b>Date of dissolution</b>	<b>Method of dissolution</b> <sup>(Note)</sup>
New Standards Limited 新標準有限公司	6 December 2002	Deregistration
Trimpf Services Limited 三聯強積寶服務有限公司	20 April 2001	Deregistration

*Note:* Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Cheung confirmed that there is no wrongful act on his part leading to the above dissolution of the companies and he was not aware of any actual or potential claim which has been or will be made against himself as a result of the dissolutions of the abovementioned companies. Mr. Cheung further confirmed that the abovementioned companies had remained solvent and had no outstanding liabilities on or before their dissolution.

**Mr. Zhao Zhipeng (趙志鵬先生)**, aged 34, joined our Group and was appointed as an independent non-executive Director on 24 November 2017. Mr. Zhao is primarily responsible for overseeing our Group with an independent perspective and judgment.

Prior to joining our Group, Mr. Zhao served as a trainee in Patrick Mak & Tse Solicitors, a law firm in Hong Kong, in July 2011, and was further promoted to an assistant solicitor in December 2013 and a partner in March 2016. Mr. Zhao has been a consultant in Lily Fenn & Partners since June 2016.

Mr. Zhao has been appointed as the company secretary of ArtGo Holdings Limited (雅高控股有限公司)(Hong Kong stock code: 3313) since June 2016, and the authorized representative, compliance officer and company secretary of Yu Tak International Holdings Limited (御德國際控股有限公司)(Hong Kong stock code: 8048) since June 2015.

Mr. Zhao is a practising solicitor in Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in December 2013. Mr. Zhao obtained Postgraduate Certificate in Laws and a degree of Juris Doctor from City University of Hong Kong in July 2011 and October 2009 respectively. He also obtained a degree of Master of Laws from The Chinese University of Hong Kong in December 2007 and a degree of Bachelor of laws from The East China University of Political Science and Law in China in July 2006.

Save as disclosed in this prospectus, each of our Directors confirms with respect to him or her that: (i) he/she did not hold any other directorships in the three years preceding the date of this prospectus in any companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she did not have any other relationships with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) he/she did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date. As at the Latest Practicable Date, save as disclosed in the section headed “Substantial Shareholders” and the section headed “Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders” in Appendix IV to this prospectus, each of our Directors did not have any interests in our Shares within the meaning of Part XV of SFO.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters that need to be brought to the attention of our Shareholders in connection with the appointment of our Director, and there was no information relating to our Director required to be disclosed under Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

### Composition of our independent non-executive Directors in the Board

Having considered the background and qualifications of our independent non-executive Directors (“INEDs”), our executive Directors are of the view that although the INEDs do not possess any prior experience in the construction industry in Macau, this would not affect their ability to contribute to our Group upon Listing based on the following factors:

- (i) each of the INEDs has taken up service on the audit committee, nomination committee and remuneration committee, which indicates their commitment to contribute to the supervision of our Group’s overall management;
- (ii) each of the INEDs possesses prior experience in the board of directors and/or management of listed companies in Hong Kong as mentioned above. Our executive Directors consider that the appointment of the INEDs will enable our Group to tap into the insight and experience from their positions in other listed companies and strengthen our internal control and corporate governance; and
- (iii) each of the INEDs has extensive knowledge and experience in their own fields of business as mentioned above. Mr. Cheung Wai Lun Jacky has over 18 years of experience in the legal profession and is currently an independent non-executive director of CHERISH Holdings Limited (Hong Kong stock code: 2113), whose principal activities include site formation works as a subcontractor in Hong Kong. Mr. Cheung Kin Wing has years of experience in the fields of accounting and consultancy services. Mr. Zhao Zhipeng has over six years of experience in the legal profession. Our executive Directors consider that the appointment of the INEDs will contribute to the performance function of the Board by bringing in their general and/or specialist knowledge, experience, expertise, insights and their access to relevant information from their parties and/or their personal and professional connection. Therefore, our executive Directors are of the view that their knowledge and experience will assist our Group in strategy formulation, business development and risk management.

### SENIOR MANAGEMENT

**Mr. Fan Cheuk Lun** (樊卓倫先生), aged 38, joined our Group in February 2017 and was appointed as the financial controller of our Group and the company secretary of our Company on 22 February 2017 and 20 July 2017 respectively. Mr. Fan is primarily responsible for accounting, financial management and company secretarial matters of our Group.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Prior to joining our Group, Mr. Fan had served as a finance manager in Risun Coal Chemicals Group Limited (旭陽煤化工集團有限公司), a coking and coal chemicals company, from June 2010 to February 2017. He worked as a consultant of Wise Top Management Limited (智升管理有限公司) from September 2002 to May 2010, primarily responsible for various China assignments.

Mr. Fan has been admitted as an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since November 2015. He has been registered as a chartered global management accountant of American Institute of Certified Public Accountants since July 2012 and admitted as a member of American Institute of Certified Public Accountants since December 2010. He has been registered as a certified public accountant of Washington State Board of Accountancy since November 2010. Mr. Fan obtained a degree of Master of Corporate Governance from The Hong Kong Polytechnic University in September 2015 and a degree of Bachelor of Commerce from The University of British Columbia in Canada in May 2002. Mr. Fan was awarded a diploma of Arts and Science in Commerce from Langara College in Canada in May 2000.

**Ms. Kong Ka Wan (龔嘉韻女士)**, aged 24, joined our Group in October 2015 as the administrative officer of Kin Pang and was promoted to the human resources and administrative manager of Kin Pang on 13 June 2016. Ms. Kong is primarily responsible for overall administrative and human resource management of our Group.

Ms. Kong graduated from The University of Warwick in the United Kingdom with a degree of Master of Science in Human Resource Management and Employment Relations in November 2015. She obtained a degree of Bachelor of Science in the Social Sciences in Economics and Management Sciences from University of Southampton in the United Kingdom in June 2014.

Ms. Kong is the daughter of Mr. Kong, our Chairman, executive Director and chief executive officer, and Ms. Choi, our executive Director.

**Mr. Ng Kin Fai (吳建輝先生)**, aged 49, joined our Group in May 2013 as the project manager of Kin Pang and was promoted to the senior project manager of Kin Pang on 11 May 2015. Mr. Ng is primarily responsible for the overall management of our Group's construction projects in Macau.

Prior to joining our Group, Mr. Ng worked as an engineer of East Pacific (Holdings) Limited (東海聯合集團有限公司), a real estate company, from July 2011 to April 2013, mainly responsible for the management of construction projects in Shenzhen. From July 1996 to July 2011, he worked at Hip Hing Construction Co., Ltd. (協興建築有限公司) (“**Hip Hing**”), a construction company in Hong Kong. He joined Hip Hing as an assistant project co-ordinator in July 1996, and was further promoted to a project co-ordinator in January 2001 and a senior project co-ordinator in October 2007.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Ng graduated from City College of San Francisco in United States with a degree of Associate in Science and fulfilled the specified requirements in construction management in May 1996.

None of our senior management has held any directorships in any listed companies during the three years preceding the Latest Practicable Date.

### COMPANY SECRETARY

**Mr. Fan Cheuk Lun** (樊卓倫先生), aged 38, was appointed as company secretary of our Group on 20 July 2017. Please refer to the section headed “Directors, Senior Management and Staff – Senior Management” above in this prospectus for details of his biography.

### REMUNERATION OF DIRECTORS

Our Group reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Group by executing their functions in relation to our Group’s operations. Our Directors receive remuneration in the form of Directors’ fees, salaries and other benefits, as well as retirement benefit scheme contributions. For each of the three years ended 31 December 2014, 31 December 2015, 31 December 2016 and the five months ended 31 May 2017, the aggregate amount of remuneration paid to our Directors were about MOP360,000, MOP360,000, MOP360,000 and MOP500,000 respectively.

The aggregate amount of remuneration (including salaries and other benefits, bonus, retirement benefit scheme contributions) paid to our five highest paid individuals not including Mr. Kong and Ms. Choi for each of the three years ended 31 December 2014, 31 December 2015, 31 December 2016 and the five months ended 31 May 2017 were about MOP3,998,000, MOP5,036,000, MOP5,358,000 and MOP1,851,000 respectively. Under the arrangements currently in force, the estimated aggregate remuneration, excluding discretionary bonus and share-based payments expense, if any, of our Directors for the year ending 31 December 2017 is approximately MOP1,440,000.

During the Track Record Period, the remuneration of our Directors was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Any discretionary bonus (if any) payable to our Directors is linked to the performance of our Group and of individual Director. Our Company intends to continue its remuneration policy after the Listing, subject to the review by and the recommendation of the remuneration committee of our Company. None of our Directors or the five highest paid individuals have been paid any sum of money (i) as an inducement to join or upon joining our Company; or (ii) as a compensation for loss of office during the Track Record Period. There were no arrangements under which a Director has waived or agreed to waive any remuneration for the same period.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Further information on the remuneration of each Director during the Track Record Period as well as information on the highest paid individuals is set out in notes 6 to the Accountants' Report as set out in Appendix I to this prospectus.

### SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme, pursuant to which, among others, the directors and employees of our Group may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

### BOARD COMMITTEES

We have established the following committees in our Board, of which the operation is in accordance with terms of reference established by our Board.

#### **Audit committee**

Our Company established an audit committee on 24 November 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The primary duties of the audit committee are to, among other things, make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and provide advice in respect of financial reporting, and oversee internal control procedures of our Company. The audit committee consists of three members who are Mr. Cheung Kin Wing, Mr. Cheung Wai Lun Jacky and Mr. Zhao Zhipeng. Mr. Cheung Kin Wing is the chairman of the audit committee.

#### **Remuneration committee**

Our Company established a remuneration committee on 24 November 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to, among other things, make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration, and ensure none of our Directors determine their own remuneration. The remuneration committee consists of three members who are Mr. Cheung Kin Wing, Mr. Cheung Wai Lun Jacky and Mr. Kong Kin I. Mr. Cheung Kin Wing is the chairman of the remuneration committee.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Nomination committee

Our Company established a nomination committee on 24 November 2017 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to, among other things, review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, and make recommendations to the Board on relevant matters relating to the appointment of Directors. The nomination committee consists of three members who are Mr. Kong Kin I, Mr. Cheung Wai Lun Jacky and Mr. Zhao Zhipeng. Mr. Kong Kin I is the chairman of the nomination committee.

### COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Red Sun Capital Limited to be the 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 will 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 (if any) or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The terms 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 may be subject to extension by mutual agreement.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and chief executive officer and Mr. Kong currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of five Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code. Our Directors will review the corporate governance policies of our Group and compliance with the Corporate Governance Code each financial year.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following table sets forth information with respect to the share capital of our Company immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme:

<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		
100	Shares in issue as at the date of this prospectus	1
799,999,900	Shares to be issued under the Capitalisation Issue	7,999,999
<u>200,000,000</u>	Shares to be issued under the Share Offer	<u>2,000,000</u>
<u>1,000,000,000</u>	Total:	<u>10,000,000</u>

### Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed “General Mandate to Issue Shares” or “General Mandate to Repurchase Shares” below in this section, as the case may be.

### Minimum public float

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

### RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares now in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlement under the Capitalisation Issue.



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## SHARE CAPITAL

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### **CAPITALISATION ISSUE**

Pursuant to the resolutions in writing of our Shareholders passed on 24 November 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 799,999,900 Shares to the holders of shares on the register of members of our Company in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), credited as fully paid at par by way of capitalisation of the sum of HK\$7,999,999 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The circumstances under which general meeting and class meeting are required are provided in our Articles, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III to this prospectus.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

### **GENERAL MANDATE TO ISSUE SHARES**

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate number of the Shares so

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## SHARE CAPITAL

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allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of the Shares repurchased (if any) pursuant to the authority granted to our Directors as referred to in the section headed “General Mandate to Repurchase Shares” below in this section.

This mandate does not cover the Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further Information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders passed on 24 November 2017” in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Conditional on the fulfillment of the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

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## SHARE CAPITAL

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This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed as recognised by the SFC and the Stock Exchange for this purpose and made in connection with all applicable laws, rules and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further Information about our Company and our subsidiaries – 6. Repurchase by our Company of our own securities” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further Information about our Company and our subsidiaries – 3. Written resolutions of our Shareholders passed on 24 November 2017” in Appendix IV to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of the Shares which may be issued pursuant to 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 be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 other member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding held immediately after completion of the Capitalisation Issue and the Share Offer (%)
Fortunate Year	Beneficial owner	670,000,000 (L)	67.00
Mr. Kong	Interest in a controlled corporation ( <i>Note 2</i> ) Interest of spouse ( <i>Note 3</i> )	670,000,000 (L)	67.00
Ms. Choi	Interest in a controlled corporation ( <i>Note 2</i> ) Interest of spouse ( <i>Note 3</i> )	670,000,000 (L)	67.00
The Pre-IPO Investor	Beneficial owner	80,000,000 (L)	8.00

*Notes:*

- (1) The Letter “L” denotes the entity/person’s long position in the Shares.
- (2) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our Company will be owned as to 67.00% by Fortunate Year. Fortunate Year is owned as to 60% by Mr. Kong and 40% by Ms. Choi. Under the SFO, each of Mr. Kong and Ms. Choi is deemed to be interested in all the Shares which are beneficially owned by Fortunate Year; and
- (3) Ms. Choi is the spouse of Mr. Kong. Under the SFO, Ms. Choi is deemed to be interested in the same number of Shares in which Mr. Kong is interested, and vice versa.

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## **SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company 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 any member of our Group.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our Group's audited combined financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with the HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect of future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of its 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 depend on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services, solely in Macau. Our services are required in various building and construction projects in relation to hotel and casino resorts, infrastructures of electricity and water supply, and public amenities and utilities (such as carriageways, footpaths, drains and sewers). Our Group's revenue was approximately MOP206.9 million, MOP173.7 million, MOP176.0 million and MOP77.3 million for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively.

During the Track Record Period, all of our Group's revenue was derived from Macau and our Group was engaged in projects in both private and public sectors. Public sector projects refer to projects of which the project employer is the Macau Government, while private sector projects refer to projects that are not within the public sector. During the Track Record Period, our private sector projects mainly comprised (i) building and ancillary works (mainly including foundation associated works, hard landscaping, alteration and addition works and road works) related to hotel and casino resorts development; and (ii) emergency repair services projects related to infrastructure of electricity and water supply, while our public sector projects mainly comprised building and ancillary services projects in relation to public amenities and utilities. Our customers during the Track Record Period mainly included (i) hotel and casino owners or their main contractors; (ii) electricity and water utility companies; and (iii) the Macau Government.

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## FINANCIAL INFORMATION

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Our Group's revenue decreased by approximately MOP33.2 million or 16.0% from approximately MOP206.9 million for the year ended 31 December 2014 to approximately MOP173.7 million for the year ended 31 December 2015. Our Group's revenue increased by approximately MOP2.3 million or 1.3% from approximately MOP173.7 million for the year ended 31 December 2015 to approximately MOP176.0 million for the year ended 31 December 2016. Our Group's revenue remains relatively stable at approximately MOP77.3 million for the five months ended 31 May 2016 and 2017. For each of the three years ended 31 December 2016 and the five months ended 31 May 2017, our Group's revenue generated from building and ancillary services accounted for approximately 95.8%, 95.2%, 92.6% and 95.7%, of our total revenue respectively while the remaining revenue was generated from emergency repair services provided by our Group.

For each of the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our Group's revenue attributable to our largest customer amounted to approximately 90.3%, 52.2%, 34.6% and 39.3%, respectively, while our Group's total revenue attributable to our five largest customers amounted to approximately 97.7%, 86.7%, 82.9% and 91.2% respectively.

Costs of our Group's services mainly include subcontracting charges, construction material costs and labour costs in respect of its on-site project management and supervision personnel as well as direct labour for carrying out site works. Our Group recorded gross profit of approximately MOP20.7 million, MOP28.1 million, MOP34.1 million and MOP17.3 million for each of the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively, and the gross profit margin was approximately 10.0%, 16.2%, 19.4% and 22.4%, respectively. Our Group recorded net profit of approximately MOP16.1 million, MOP21.0 million, MOP26.0 million and MOP9.9 million for each of the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. For further details, please refer to the sections headed "Financial Information – Principal Components of Results of Operations" and "Financial Information – Period to Period Comparison of Results of operations" in this prospectus.

### **BASIS OF PRESENTATION**

Prior to the Share Offer, our Group had undergone the Reorganisation after which our Company has become the holding company of the companies now comprising our Group since 14 July 2017. Please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus for details.

The financial information sets out in the Accountants' Report in Appendix I to this prospectus has been prepared based on the applicable accounting policies which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merge Accounting for Common Control Combinations" issued by the HKICPA.

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## FINANCIAL INFORMATION

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In applying Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by HKICPA, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The combined statements of financial position of our Group as at 31 December 2014, 2015 and 2016 and 31 May 2017 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure has been in existence at those dates, taken into account the respective dates of incorporation, where applicable.

The historical financial information is presented in Macau Pataca (“MOP”), which is also the functional currency of our Company and all values are rounded to the nearest thousand (MOP’000) except when otherwise indicated.

### **KEY FACTORS AFFECTING OUR GROUP’S RESULTS OF OPERATION AND FINANCIAL CONDITION**

Our Group’s financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

#### **General economic conditions and demand of construction activities in Macau**

Our business and results of operations are affected by the general economic conditions and demand of construction activities in Macau. The overall economic growth in the Macau will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the development and financial policies of the Macau Government. The main drivers of the number and availability of construction projects in Macau include overall economic growth in Macau, government support for urban development, expansion of tourism industry and facilities and increase in land supply for development. All these drivers will stimulate the capital investment in the new building and ancillary services projects for hotel and casino resorts, and the continuous improvement and repairs of existing infrastructures of electricity and water supply and public amenities and utilities. During the past few years, the value of construction work done in Macau demonstrated a strong growth from approximately MOP30.8 billion in 2012 to MOP102.3 billion in 2016, representing a CAGR of approximately 34.9%.

There is no assurance that the number of construction projects in Macau will maintain at a desired level or continue the rising trend in the future. In case of a drop of construction activities in any circumstances, our business and results of operations will probably be adversely affected. In addition, any further economic downturn in Macau could adversely affect our business, financial condition and results of operations.



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## FINANCIAL INFORMATION

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### **Non-recurring nature of construction services**

During the Track Record Period, our revenue was derived from contract works performed on a project basis which were non-recurring in nature. Our revenue growth in the future depends on whether we are able to continue to succeed in our project tendering. We believe that key factors of obtaining new project contracts includes our trustworthy and capabilities, professional qualification, good and stable cooperation relationships with our customers, subcontractors and suppliers, our extensive construction industry knowledge as well as our competitive tender pricing and other terms and conditions offered. However, we cannot assure that we will secure new invitations for tender or quotation or be awarded new project contracts with comparable contract sums and desirable margin as our project contracts on hand. In such circumstances, our financial condition and results of operations could be adversely affected.

In addition, as our project contracts were awarded mainly through direct invitation for tender or quotation by customers, we do not have long-term commitment with our customers. As a result, our customer mix and project mix may vary significantly from year to year and eventually affect our financial condition and results of operations.

### **Pricing of projects**

A majority of our Group's revenue during the Track Record Period were derived from building and ancillary services projects, which are generally obtained by means of tender or quotation. The tender price or fee quotation of building and ancillary services projects is based on estimated project costs plus a mark-up margin. From time to time, our Group may adjust mark-up margin to maintain our competitiveness in the tender or quotation which in turn will affect the profitability of our Group.

### **Accuracy in our Directors' estimation of time and costs involved in projects before submitting tenders or providing fee quotation**

The building and ancillary services projects undertaken by our Group are generally awarded by the customers after they accept the tender submitted or quotation provided by our Group, where our Group has to estimate the time and costs involved in a building and ancillary services project in order to determine the fee for the tender or quotation. Our Group's pricing on its projects is determined on a project-by-project basis depending on several factors, including but not limited to, (i) the estimated costs of construction materials; (ii) the estimated number and types of workers required; (iii) the scale and complexity of the project; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) any subcontracting which is expected to be necessary; (viii) prices offered to the customer in the past; (ix) the construction methods and techniques expected to be applied in a project; and (x) the prevailing market conditions.

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## FINANCIAL INFORMATION

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In addition, the estimate of the time and costs involved in a building and ancillary services project in determining the fee is based on our Directors' experience and factors that we believe to be relevant and reasonable and there is no assurance that the actual amount of time and costs would not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key project management and supervision personnel involved, non-performance by our Group's subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

### **Fluctuation of our contract costs**

Our direct costs primarily comprised subcontracting charges, construction material costs, labour costs and others. The fluctuations in these costs directly affect our gross profit margin, results of operations and financial condition.

Depending on the scale, complexity and requirement of the project, we engage subcontractors from time to time to provide certain construction services (mainly including ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works). There is no assurance that we would not have to incur substantial extra subcontracting costs due to unexpected circumstances without any or sufficient compensation from our customers. Such increase in our subcontracting costs will have an adverse impact on our results of operations and financial condition.

Our principal construction materials primarily include concrete, stone materials, cement, steel, sewer covers, water pipes and electrical components. Our material prices largely depend on market forces, including fluctuations of commodity price, logistics and processing costs as well as our bargaining power over suppliers. Our Group's project contracts are lump sum fixed price contracts in which the contract payment will be based on a fixed contract sum agreed in the contract for carrying out the whole of the works as specified in the specification, drawings and technical requirements of the customers and no remeasurement will be conducted except for works done pursuant to variation order issued by customers. However, in the case that we inaccurately estimate any potential fluctuations of major materials and cannot pass all of the additional costs to our customers, such increase in our material costs will have an adverse impact on our results of operations and financial condition.

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## FINANCIAL INFORMATION

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Our labour costs are primarily affected by the demand and supply of labour, economic factors including the inflation rate and standard of living in Macau. There is no guarantee that our supply of labour will not be disrupted or that our labour subcontracting costs will not increase. In any event of significant unexpected increment in our labour costs, our business, financial condition and results of operations will be materially and adversely affected. Further, if there is any labour dispute, work stoppage or strike in the future, it may result in a significant increase in our labour costs or disruptions of our production and operations. As a result, our financial condition and results of operations may be materially and adversely affected.

### **Timing and collectability of progress billings**

We generally submit our monthly payment request to obtain interim payment from our customers with regard to the works completed in respect of the preceding month. Our payment applications generally include details of completed works, the actual quantities of our work done and variation order (if any) on a monthly basis. Our customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the works completed by us. We will then issue receipts to our customers upon receipt of the payment. In respect of final payment, we usually issue final account showing the amount we are entitled to for our customers' approval. For further details of progress claims, please refer to the section headed "Business – Customer – Credit Policy" in this prospectus.

In addition, our customers generally retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money. Generally, 50% of retention money is released to us upon completion of a project, and the remaining 50% will be released to us upon expiration of the defect liability period. Alternatively, in certain projects, all of the retention money is released to us only upon expiration of the defect liability period.

As at 31 May 2017, the trade receivables and retention receivable is approximately MOP41.4 million and MOP24.0 million, respectively. Any failure by our customers to make payments to us on time and in full may have an adverse impact on our liquidity and financial position.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The discussion and analysis of our Group's financial position and results of operations as included in this prospectus is based on the combined financial statements prepared using the significant accounting policies set forth in note 3 of the Accountants' Report set out in Appendix I to this prospectus, which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

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## FINANCIAL INFORMATION

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In the application of our Group's accounting policies, the management of our Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an 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. Below is a summary of certain significant accounting policies and estimates that the Directors consider to be significant, the details of which are set forth in Notes 3 and 4 of the Accountants' Report set out in Appendix I to this prospectus.

### **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business and net of discount. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when specific criteria have been met for each of our Group's activities, as described below:

#### ***(i) Contract revenue***

Revenue from construction contracts is based on the stage of completion at the end of each reporting period. Our Group's policy for recognition of revenue from our construction works is described in accounting policy for construction contracts below.

Where the outcome of an construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that work performed with reference to surveys of work performed by our customers or their representatives from time to time, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. For the projects which we submit regular payment applications to our customers, we recognise the revenue to the extent which our works are approved or certified by our customers with reference to the activities performed in the previous month/period which were inspected by our customers or their representatives from time to time.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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## FINANCIAL INFORMATION

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Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

**(ii) Service income**

Service income is recognised when the services are rendered.

**(iii) Interest income**

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.

**Key sources of estimation uncertainty**

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial period.

**Construction contract**

Our Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management of our Group on the basis of quotations from time to time provided by the major contractors suppliers, or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management of our Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the end of each the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

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## FINANCIAL INFORMATION

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### EFFECT OF NEW AND AMENDMENTS TO HKFRSs TO OUR GROUP

Based on the current accounting policies adopted by our Company, the revenue is recognised with reference to the proportion that work performed with reference to surveys of work performed to date.

In accordance with HKFRS 15, input methods recognise revenue on the basis of our Group's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. The timing of revenue recognition based on current accounting policies may result in different timing of revenue recognition based on input method as mentioned in HKFRS 15 because there may not be a direct relationship between our Group's inputs and the satisfaction of our Group's performance obligation to a customer (i.e. the surveys of work performed to date by a customer).

On the other hand, HKFRS 15 allows adoption of output method as appropriate method of measuring progress to recognise revenue. In accordance to HKFRS 15, output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as surveys of performance completed to date. The timing of revenue recognition based on current accounting policies is similar to the timing of revenue recognition based on output method as mentioned in HKFRS 15. Thus, the application of HKFRS 15 will have no material impact on our Group's future financial statements as stated in page I-14.

The materials consumed by our Group are mainly stones, concrete, brick and steel bar. Our Group did not keep inventory during the Track Record Period mainly because the materials were usually delivered by our suppliers directly to our project sites for immediate consumption. Due to the limitation of the storage in the field work, the project managers are responsible for the overall scheduling of orders and deliveries of the materials, so as to match material deliveries with the project's requirements. As such, our Group did not have significant amount of uninstalled materials as at the end of each reporting period. Thus, the financial impact of the uninstalled materials in the application of HKFRS 15 will be considered as insignificant.

Details of effect of new and amendments to HKFRSs to our Group are set out in note 2 to the Accountants' Report in Appendix I to this prospectus.

Except as disclosed in note 2 to the Accountants' Report in Appendix I to this prospectus, the management of our Group anticipates that the application of other new and revised HKFRSs will have no material impact on our Group's future consolidated financial statements.

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### SUMMARY OF RESULTS OF OPERATIONS

Our Group's combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
<b>Revenue</b>	206,945	173,709	176,039	77,293	77,301
Direct costs	<u>(186,198)</u>	<u>(145,653)</u>	<u>(141,929)</u>	<u>(66,293)</u>	<u>(59,981)</u>
<b>Gross profit</b>	20,747	28,056	34,110	11,000	17,320
Other income	154	207	183	106	50
Administrative expenses	(2,549)	(4,809)	(5,867)	(2,430)	(3,615)
Finance costs	(316)	(326)	(199)	(95)	(69)
Listing expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,141)</u>
<b>Profit before taxation</b>	18,036	23,128	28,227	8,581	11,545
Income tax expense	<u>(1,913)</u>	<u>(2,104)</u>	<u>(2,248)</u>	<u>(958)</u>	<u>(1,601)</u>
<b>Profit and total comprehensive income for the year/period</b>	<u><u>16,123</u></u>	<u><u>21,024</u></u>	<u><u>25,979</u></u>	<u><u>7,623</u></u>	<u><u>9,944</u></u>

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

We are an integrated construction contractor which provides (i) building and ancillary services; and (ii) emergency repair services, solely in Macau. The following table sets forth a breakdown of our Group's revenue during the Track Record Period by business segments:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Building and ancillary services	198,218	95.8	165,301	95.2	163,003	92.6	72,551	93.9	74,010	95.7
Emergency repair services	8,727	4.2	8,408	4.8	13,036	7.4	4,742	6.1	3,291	4.3
<b>Total</b>	<b>206,945</b>	<b>100.0</b>	<b>173,709</b>	<b>100.0</b>	<b>176,039</b>	<b>100.0</b>	<b>77,293</b>	<b>100.0</b>	<b>77,301</b>	<b>100.0</b>

#### (i) Revenue from building and ancillary services

Our building and ancillary services mainly included foundation associated works, hard landscaping, alteration and addition works, road works, water pipe works, electrical and mechanical works and other ancillary building works. During the Track Record Period, we mainly undertook building and ancillary works in relation to hotel and casino resorts, public amenities and utilities and other industrial development.

The following table sets forth a breakdown of our revenue generated from our building and ancillary services projects by the category of project employers during the Track Record Period:

Category of project employers	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Hotel and casino resort owners	191,717	96.7	112,658	68.2	140,800	86.4	63,208	87.1	67,881	91.7
Electricity and water utility companies and the Macau Government	4,452	2.2	45,892	27.8	10,797	6.6	1,621	2.2	4,565	6.2
Others	2,049	1.1	6,751	4.0	11,406	7.0	7,722	10.7	1,564	2.1
<b>Total</b>	<b>198,218</b>	<b>100.0</b>	<b>165,301</b>	<b>100.0</b>	<b>163,003</b>	<b>100.0</b>	<b>72,551</b>	<b>100.0</b>	<b>74,010</b>	<b>100.0</b>



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The following table sets forth the building and ancillary services projects of our Group during the Track Record Period with accumulated revenue recognised above MOP5.0 million in descending order:

Project	Project type	Major scope of works	Location	Awarded contract sum <i>(Note)</i>	Revenue recognised				Accumulated revenue recognised during the Track Record Period
					FY2014	FY2015	FY2016	Five months ended 31 May 2017	
					MOP million	MOP million	MOP million	MOP million	
BA1	Private	Construction of basement, ELS works and other associated services	A hotel and casino resort at Cotai City, Macau	202.0	186.7	77.0	58.0	–	321.7
BA2	Public	Road works and water pipe works	Carriageways and sewers located at Sai Van Lake, Macau	31.1	–	31.8	1.5	–	33.3
BA12	Private	ELS works, pile cap construction, pilling works, construction of basement and other associated works such as surveying, removal of building works and construction of underground draining	A hotel and casino resort at Cotai City, Macau	72.5	–	–	10.6	18.5	29.1
BA13	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	34.9	–	0.8	13.8	13.1	27.7
BA15	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	25.0	–	–	10.5	11.5	22.0
BA3	Private	Pile cap construction, ELS works, construction of basement and other associated services such as construction of underground drainage structure	A cross-border industrial area between Macau and Zhuhai, the PRC	13.5	–	6.0	9.3	–	15.3
BA14	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	32.7	–	–	9.4	5.8	15.2
BA4	Private	Road works	A hotel and casino resort at Cotai City, Macau	9.3	–	9.3	–	–	9.3
BA17	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	11.5	–	–	6.4	1.9	8.3
BA18	Private	Hard landscaping work	A hotel and casino resort at Cotai City, Macau	10.1	–	–	4.5	3.5	8.0
BA5	Private	Construction works of concrete structure for footbridge	A hotel and casino resort at Cotai City, Macau	2.3	–	3.0	3.0	–	6.0
BA6	Private	Interior alteration and addition works	A hotel and casino resort at Cotai City, Macau	2.6	–	5.6	–	–	5.6
BA7	Private	Electrical and mechanical works	Residential and commercial development at Taipa, Macau	3.4	–	–	1.2	4.1	5.3
Other building and ancillary projects				155.9	11.5	31.8	34.8	15.6	93.7
					<u>198.2</u>	<u>165.3</u>	<u>163.0</u>	<u>74.0</u>	<u>600.5</u>

*Note:* The awarded contract sum does not take into account any variation orders issued by the customers and is only based on the initial agreement entered into between our Group and its customers.

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### *(ii) Emergency repair services*

Our emergency repair services typically refer to our provision of repair services in relation to infrastructure of electricity and water supply on a term contract basis. During the fixed contract term, we are required to (i) maintain certain technicians on standby on a full-day basis; and (ii) deploy them for carrying out repair works shortly after receiving requests from electricity and water utility companies. Our emergency repair services generally involve repair services in relation to water pipelines and electricity networks.

#### *Emergency repair services projects awarded to our Group during the Track Record Period*

For each of the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our Group had been awarded 1, 2, 4 and 1 emergency repair services contracts.

#### *On-going emergency repair services projects as at the Latest Practicable Date*

As at the Latest Practicable Date, our Group had 2 on-going emergency repair projects, details of which are set out in the following table in descending order by sum of the basic monthly fees:

<u>Project</u>	<u>Scope of services</u>	<u>Services term</u>	<u>Basic monthly fees</u> <sup>(Note)</sup>
ER1	Repair service for electricity transmission network	From 1 January 2017 to 31 December 2018	MOP250,000
ER2	Repair and maintenance service for lighting network	From 1 July 2016 to 30 June 2018	MOP36,000

*Notes:* The basic monthly fees does not take into account any extra fees to be charged for ad hoc items of repair and associated services if so requested by our customers.

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### Direct costs

Our Group's direct costs during the Track Record Period mainly include subcontracting charges, construction material costs, labour costs and other expenses, which is primarily recognised and transferred from work-in-progress to the combined statements of profit or loss and other comprehensive income based on the percentage of completion. Our Group's direct costs decreased during the Track Record Period due to the decrease in ELS works carried out which led to the decrease of subcontracting charges by our Group for the year ended 31 December 2015 and 2016. The following table sets forth a breakdown of our Group's direct costs during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	(unaudited)									
Subcontracting charges	106,401	57.2	83,614	57.4	85,997	60.6	44,987	67.8	32,963	55.0
Construction material costs	31,336	16.8	21,022	14.4	25,767	18.2	10,065	15.2	11,015	18.4
Labour costs	24,439	13.1	25,414	17.4	22,190	15.6	7,006	10.6	12,031	20.1
Others	24,022	12.9	15,603	10.8	7,975	5.6	4,235	6.4	3,972	6.5
Total	186,198	100.0	145,653	100.0	141,929	100.0	66,293	100.0	59,981	100.0

#### (i) Subcontracting charges

Subcontracting charges represent the fees paid and payable to subcontractors who carry out building and ancillary works or emergency repair works for our Group's projects. Our most significant direct costs are subcontracting charges, which accounted to approximately MOP106.4 million, MOP83.6 million, MOP86.0 million and MOP33.0 million, representing approximately 57.2%, 57.4%, 60.6% and 55.0% of the direct costs for the year ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2017, respectively. Our Group engages subcontractors for parts of the works of our contract, which mainly include ELS works, asphalt road works, hard landscaping works, excavation works, erection of temporary hoardings, installation of temporary support structures, electrical installation works and interior fitting-out works.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's subcontracting charges on its profits during the Track Record Period. The hypothetical fluctuation rates are set at 7.5% and 15% with reference to the fluctuation in the average wage of construction workers in Macau from 2012 to 2016 as shown in the Frost & Sullivan Report, which are considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuations in subcontracting charges</b>	<u>+7.5%</u>	<u>+15%</u>	<u>-7.5%</u>	<u>-15%</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
<b>Change in profit before tax</b>				
For the year ended				
31 December 2014	(7,980)	(15,960)	7,980	15,960
For the year ended				
31 December 2015	(6,271)	(12,542)	6,271	12,542
For the year ended				
31 December 2016	(6,450)	(12,900)	6,450	12,900
For the five months ended				
31 May 2017	(2,472)	(4,944)	2,472	4,944
<b>Change in profit after tax</b>				
<i>(Note)</i>				
For the year ended				
31 December 2014	(7,022)	(14,044)	7,022	14,044
For the year ended				
31 December 2015	(5,518)	(11,036)	5,518	11,036
For the year ended				
31 December 2016	(5,676)	(11,352)	5,676	11,352
For the five months ended				
31 May 2017	(2,175)	(4,350)	2,175	4,350

*Note:* The Macau Complementary Tax rate of 12% is applied for the illustration of increase or decrease in profit for the year/period.

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### (ii) Construction material costs

Material costs mainly represent costs of (i) stone; (ii) metal and steel; and (iii) cement and concrete in our Group's projects. The proportion of construction materials costs in direct costs depends on, among other factors, the design and requirements of building and ancillary services projects and emergency repair services projects and varies from project to project.

For each of the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our Group's construction material costs amounted to approximately MOP31.3 million, MOP21.0 million, MOP25.8 million and MOP11.0 million, respectively, representing approximately 16.8%, 14.4%, 18.2%, and 18.4% of our Group's total direct costs for the corresponding period, respectively.

In pricing our projects, we take into account a number of factors including, but not limited to, the price trend of construction materials. For further details, please refer to the section headed "Business – Pricing Strategy" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we did not experience any market fluctuations in costs of construction materials which would have had a material impact on our business, financial condition or results of operations.

The following table sets forth a breakdown of our construction material costs during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>	<u>MOP'000</u>	<u>%</u>
	(unaudited)									
Stone	2,848	9.1	221	1.0	11,027	42.8	2,049	20.4	4,714	42.8
Metal and steel	7,129	22.8	5,290	25.2	5,183	20.1	3,829	38.0	2,216	20.1
Cement and concrete	15,994	51.0	9,887	47.0	4,341	16.9	3,143	31.2	1,855	16.9
Other materials	5,365	17.1	5,624	26.8	5,216	20.2	1,044	10.4	2,230	20.2
Total construction material costs	<u>31,336</u>	<u>100.0</u>	<u>21,022</u>	<u>100.0</u>	<u>25,767</u>	<u>100.0</u>	<u>10,065</u>	<u>100.0</u>	<u>11,015</u>	<u>100.0</u>

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's construction material costs on its profits during the Track Record Period. The hypothetical fluctuation rates are set at 12.5% and 25% with reference to the fluctuation in the prices of key raw materials in Macau Construction industry from 2012 to 2016 as shown in the Frost & Sullivan Report, which are considered reasonable for the purpose of this sensitivity analysis:

<b><u>Hypothetical fluctuations in construction material costs</u></b>	<b><u>+12.5%</u></b>	<b><u>+25%</u></b>	<b><u>-12.5%</u></b>	<b><u>-25%</u></b>
	<b><u>MOP'000</u></b>	<b><u>MOP'000</u></b>	<b><u>MOP'000</u></b>	<b><u>MOP'000</u></b>
<b>Change in profit before tax</b>				
For the year ended				
31 December 2014	(3,917)	(7,834)	3,917	7,834
For the year ended				
31 December 2015	(2,628)	(5,256)	2,628	5,256
For the year ended				
31 December 2016	(3,221)	(6,442)	3,221	6,442
For the five months ended				
31 May 2017	(1,377)	(2,754)	1,377	2,754
<b>Change in profit after tax</b>				
<i>(Note)</i>				
For the year ended				
31 December 2014	(3,447)	(6,894)	3,447	6,894
For the year ended				
31 December 2015	(2,313)	(4,626)	2,313	4,626
For the year ended				
31 December 2016	(2,834)	(5,668)	2,834	5,668
For the five months ended				
31 May 2017	(1,212)	(2,424)	1,212	2,424

*Note:* The Macau Complementary Tax rate of 12% is applied for the illustration of increase or decrease in profit for the year/period.

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### *(iii) Labour costs*

Labour costs represent the compensation and benefits provided to the staff of our Group's project team (including but not limited to project management and supervision, technicians, machinery operations and direct site workers). For each of three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our Group's total direct labour costs (including building and ancillary services and emergency repair services) amounted to approximately MOP24.4 million, MOP25.4 million, MOP22.2 million and MOP12.0 million, respectively, representing approximately 13.1%, 17.4%, 15.6% and 20.1% of our Group's total direct costs for the corresponding period, respectively.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's direct labour costs on its profits during the Track Record Period. The hypothetical fluctuation rates are set at 7.5% and 15% with reference to the fluctuation in the average wage of construction workers in Macau from 2012 to 2016 as shown in the Frost & Sullivan Report, which are considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuations in labour costs</b>	<u>+7.5%</u> <i>MOP'000</i>	<u>+15%</u> <i>MOP'000</i>	<u>-7.5%</u> <i>MOP'000</i>	<u>-15%</u> <i>MOP'000</i>
<b>Change in profit before tax</b>				
For the year ended				
31 December 2014	(1,833)	(3,666)	1,833	3,666
For the year ended				
31 December 2015	(1,906)	(3,812)	1,906	3,812
For the year ended				
31 December 2016	(1,664)	(3,328)	1,664	3,328
For the five months ended				
31 May 2017	(902)	(1,804)	902	1,804
<b>Change in profit after tax</b>				
<i>(Note)</i>				
For the year ended				
31 December 2014	(1,613)	(3,226)	1,613	3,226
For the year ended				
31 December 2015	(1,677)	(3,354)	1,677	3,354
For the year ended				
31 December 2016	(1,464)	(2,928)	1,464	2,928
For the five months ended				
31 May 2017	(794)	(1,588)	794	1,588

*Note:* The Macau Complementary Tax rate of 12% is applied for the illustration of increase or decrease in profit for the year/period.

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### (iv) Others

Others mainly include but are not limited to equipment rental expenses, fuel charge and depreciation of construction machinery and motor vehicle charge etc. For each of the three years ended 31 December 2016 and the five months ended 31 May 2017, other direct costs of our Group amounted to approximately MOP24.0 million, MOP15.6 million, MOP8.0 million and MOP4.0 million, respectively, representing approximately 12.9%, 10.8%, 5.6% and 6.5% of our Group's total direct costs for the corresponding year and period, respectively.

### Gross profit and gross profit margin

The following table sets forth a breakdown of our Group's gross profit and gross profit margin during the Track Record Period by business segments:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Building and ancillary services	20,175	10.2	26,065	15.8	29,758	18.3	9,592	13.2	15,810	21.4
Emergency repair services	572	6.6	1,991	23.7	4,352	33.4	1,408	29.7	1,510	45.9
Total/Overall	<u>20,747</u>	<u>10.0</u>	<u>28,056</u>	<u>16.2</u>	<u>34,110</u>	<u>19.4</u>	<u>11,000</u>	<u>14.2</u>	<u>17,320</u>	<u>22.4</u>

Owing to different job nature and cost components, the gross profit margin of our different business segments varies during the Track Record Period. Our Directors are of the view that the gross profit margin of our building and ancillary services is generally lower than that of our emergency repair services, which was primarily due to that fact that (i) we strived to offer competitive tender pricing to maintain our market presence in respect of the intense competition in Macau market; (ii) the building and ancillary services involved more labour, material cost, machinery and subcontracting works. Additionally, according to Frost & Sullivan Report, the emergency repair is a specialist segment in construction industry that requires years of experience, professional training and comprehensive knowledge of public utilities and there is limited supply of workers in this industry. The Directors are of the view that the higher gross profit margin of the emergency repair services projects was mainly due to the fact that our Group encountered less intense competition for bidding the emergency repair projects from electricity and water utility companies in Macau. The relatively low gross profit margin of our emergency repair services in the year ended 31 December 2014 was mainly attributable to the lower basic monthly fee we charged for an emergency repair term contract.



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### Other income

The following table sets forth a breakdown of our Group's other income during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Interest income from an associate	90	105	–	–	–
Other income	64	102	183	106	50
Total	<u>154</u>	<u>207</u>	<u>183</u>	<u>106</u>	<u>50</u>

### Administrative expenses

The following table sets forth a breakdown of our Group's administrative expenses during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2014		2015		2016		2016		2017	
	<i>MOP'000</i>	%	<i>MOP'000</i>	%	<i>MOP'000</i>	%	<i>MOP'000</i>	%	<i>MOP'000</i>	%
							(unaudited)			
Salary	1,015	39.8	1,353	28.1	2,001	34.1	632	26.0	1,556	43.1
Staff welfare	199	7.8	462	9.6	624	10.6	325	13.3	381	10.6
Rent	387	15.2	929	19.3	1,191	20.3	541	22.3	769	21.3
Entertainment	406	15.9	453	9.4	374	6.4	177	7.3	191	5.3
Depreciation	31	1.2	274	5.7	399	6.8	167	6.9	167	4.6
Legal and professional fee	192	7.5	243	5.1	153	2.6	39	1.6	16	0.4
Utilities	–	–	17	0.4	37	0.6	12	0.5	12	0.3
Traveling expenses	2	0.1	24	0.5	21	0.4	7	0.3	19	0.5
Others	317	12.5	1,054	21.9	1,067	18.2	530	21.8	504	13.9
Total	<u>2,549</u>	<u>100.0</u>	<u>4,809</u>	<u>100.0</u>	<u>5,867</u>	<u>100.0</u>	<u>2,430</u>	<u>100.0</u>	<u>3,615</u>	<u>100.0</u>

*Note:* Other administrative expenses include but not limited to bank charges, office expenses, motor vehicle expenses.

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### Finance costs

The following table sets forth a breakdown of our Group's finance costs during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Interest on bank borrowings	316	326	199	95	69

### Listing expenses

The following table sets forth a breakdown of our Group's listing expenses during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Listing expenses	-	-	-	-	2,141

### Income tax expense

The following table sets forth a breakdown of our Group's income tax expenses during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Macau Complementary Tax:					
Current tax	1,913	2,104	2,248	958	1,601

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During the Track Record Period, all of our Group's revenue was derived from Macau and therefore our Group is subject to the Macau Complementary Tax. Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period. Our Group had no assessable profits arising in Hong Kong during the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Profit before taxation	18,036	23,128	28,227	8,581	11,545
Tax at the domestic income					
tax rate of 12%	2,164	2,775	3,387	1,030	1,385
Tax deduction for dividend declared	(180)	(600)	(1,068)	-	-
Tax effect of expense not deductible for tax purpose	-	-	-	-	257
Tax effect of tax exemption under Macau Complementary Tax	(72)	(72)	(72)	(30)	(30)
Others	1	1	1	(42)	(11)
Income tax expense	1,913	2,104	2,248	958	1,601

For the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, our Group recorded income tax expenses of approximately MOP1.9 million, MOP2.1 million, MOP2.2 million and MOP1.6 million, respectively. The following table sets forth our Group's effective tax rate during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Profit before taxation	18,036	23,128	28,227	8,581	11,545
Income tax expense	1,913	2,104	2,248	958	1,601
Effective tax rate	10.6%	9.1%	8.0%	11.2%	13.9%

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### Profit and total comprehensive income for the year/period

As a result of the foregoing, we had profit and total comprehensive income of approximately MOP16.1 million, MOP21.0 million, MOP26.0 million and MOP9.9 million for the year ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2017, respectively.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 December 2015 compared with the year ended 31 December 2014

##### (i) Revenue

Our Group's revenue decreased by approximately MOP33.2 million or 16.0% from approximately MOP206.9 million for the year ended 31 December 2014 to approximately MOP173.7 million for the year ended 31 December 2015. Such decrease was mainly attributable to the decrease of approximately MOP32.9 million or 16.6% in the revenue derived from building and ancillary services and the slight decrease of approximately MOP0.3 million or 3.4% in the revenue derived from emergency repair services.

The decrease in revenue derived from building and ancillary services in 2015 was mainly attributable to less construction works undertaken in relation to Project BA1, our largest building and ancillary services project during the Track Record Period. The following table sets forth a breakdown of our Group's building and ancillary services projects based on their scales of respective revenue recognised during the year ended 31 December 2014 and 2015:

	Year ended 31 December			
	2014		2015	
	<i>MOP'000</i>	<i>Number of projects</i>	<i>MOP'000</i>	<i>Number of projects</i>
Revenue recognised from individual building and ancillary project				
MOP10,000,000 or above	186,726	1	108,835	2
MOP3,000,000 to below MOP10,000,000	0	0	41,221	8
MOP1,500,000 to below MOP3,000,000	1,861	1	3,336	2
MOP1,000,000 to below MOP1,500,000	1,030	1	2,575	2
Below MOP1,000,000	8,601	46	9,334	31
Total	198,218	49	165,301	45

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During the year ended 31 December 2015, our Group recorded decrease in revenue derived from building and ancillary services. Such decrease was mainly driven by the decrease of revenue arising from Project BA1 which revenue recognised decreased from approximately MOP186.7 million for the year ended 31 December 2014 to approximately MOP77.0 million for the year ended 31 December 2015. The decrease in contribution of Project BA1 was attributable to the fact that the substantial part of the work in relation to Project BA1 was completed during the year ended 31 December 2014. Given that the resources released from Project BA1 during the year ended 31 December 2015, we diversified our resources to undertake another 9 building and ancillary projects with over MOP3,000,000 revenue recognised for the year ended 31 December 2015.

The slight decrease in revenue derived from emergency repair services from MOP8.7 million in FY2014 to MOP8.4 million in FY2015 was mainly due to the decrease in total number of emergency repair projects carried out. In 2014, our Group carried out two emergency repair projects which contributed approximately MOP8.7 million to our total revenue, whereas, in 2015, our Group carried out one emergency repair project which contributed approximately MOP8.4 million to our total revenue.

**(ii) Direct costs**

The direct costs of our Group mainly includes subcontracting charges, construction material costs and labour costs, while these costs vary amongst different projects and also may fluctuate substantially from year to year, depending on the progress and stage of projects. Our Group's direct costs decreased by approximately MOP40.5 million or 21.8% from approximately MOP186.2 million for the year ended 31 December 2014 to approximately MOP145.7 million for the year ended 31 December 2015. The following is a discussion of changes in the key components of our Group's direct costs for the year ended 31 December 2015 compared to that of 2014.

The subcontracting charge decreased from approximately MOP106.4 million for the year ended 31 December 2014 to approximately MOP83.6 million for the year ended 31 December 2015, representing a decrease of approximately MOP22.8 million or 21.4%. Such decrease was mainly due to less construction works (in particular ELS works which we generally subcontract out) was proceeded on Project BA1 in 2015, which resulted in less subcontracting fees charged in 2015.

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The construction material costs decreased from approximately MOP31.3 million for the year ended 31 December 2014 to approximately MOP21.0 million for the year ended 31 December 2015, representing a decrease of approximately MOP10.3 million or 32.9%. Such decrease was mainly due to less construction works was proceeded on Project BA1 in 2015, which resulted in less material consumed in 2015.

The labour costs increased from approximately MOP24.4 million for the year ended 31 December 2014 to approximately MOP25.4 million for the year ended 31 December 2015, representing an increase of approximately MOP1.0 million or 4.1%. Such increase was mainly due to more building and ancillary services projects carried out in 2015 which we generally incurred more labour cost through utilising our own labour instead of outsourcing.

The others of direct costs include mainly equipment rent, depreciation and fuel charges, which decreased from approximately MOP24.0 million for the year ended 31 December 2014 to approximately MOP15.6 million for the year ended 31 December 2015. The equipment rent decreased from approximately MOP12.5 million for the year ended 31 December 2014 to approximately MOP5.5 million for the year ended 31 December 2015, representing a decrease of approximately MOP7.0 million or 56.0%. Such decrease was mainly due to less machine intensive works were required at the final stage of Project BA1 in the year ended 31 December 2015.

### ***(iii) Gross profit and gross profit margin***

Notwithstanding the decrease in revenue, our gross profit increased by approximately MOP7.4 million or 35.7% from approximately MOP20.7 million for the year ended 31 December 2014 to approximately MOP28.1 million for the year ended 31 December 2015 primarily attributable to an increase in our Group's gross profit margin of both (i) building and ancillary services segment from approximately 10.2% to approximately 15.8%; and (ii) emergency repair services segment from approximately 6.6% to approximately 23.7%.

Segment gross profit margin of our building and ancillary services increased from approximately 10.2% for the year ended 31 December 2014 to approximately 15.8% for the year ended 31 December 2015. Such increase was mainly due to (i) less construction works proceeded in relation to Project BA1 (revenue in FY2014: MOP186.7 million versus revenue in FY2015: MOP77.0 million), the largest building and ancillary project during the Track Record Period, which generated lower gross profit margin as it involved ELS works which generally are subcontracted out; (ii) more construction works undertaken in the medium-size building and ancillary services projects (Project BA2, Project BA3, Project BA4, Project BA5, Project BA6, Project BA8, Project BA9 and Project BA10), which have higher profit margin as compared with BA1 as they involved more direct labour resources comparing with Project BA1.

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Segment gross profit margin of our emergency repair services increased from approximately 6.6% for the year ended 31 December 2014 to approximately 23.7% for the year ended 31 December 2015. Such increase was mainly due to (i) the increase in the basic monthly income for an emergency repair project. The basic monthly income of this project has been increased by approximately MOP50,000 per month or 25% from MOP200,000 per month for the year ended 31 December 2014 to MOP250,000 per month for the year ended 31 December 2015; and (ii) the increase of service charges of ad hoc works.

Considering that (i) an increase in gross profit margin of our building and ancillary services and (ii) a significant increase in gross profit margin of our emergency repair services, our overall gross profit margin increased from approximately 10.0% for the year ended 31 December 2014 to approximately 16.2% for the year ended 31 December 2015.

**(iv) Other income**

Other income of our Group increased by approximately MOP53,000 or 34.4% from approximately MOP154,000 for the year ended 31 December 2014 to approximately MOP207,000 for the year ended 31 December 2015. Such increase was mainly attributable to the significant increase of approximately MOP38,000 in sundry income.

**(v) Administrative expenses**

Administrative expenses of our Group increased by approximately MOP2.3 million or 92.0% from approximately MOP2.5 million for the year ended 31 December 2014 to approximately MOP4.8 million for the year ended 31 December 2015. Such increase was mainly attributable to (i) the increase in rent of approximately MOP0.5 million due to the increase in the monthly rental expenses of warehouse which is our temporary storage and logistics transit site; (ii) the increase in salary of approximately MOP0.4 million due to the increase in the total number of employees in the administration, accounting and finance department; (iii) the increase in staff welfare of approximately MOP0.3 million; and (iv) the increase in depreciation of approximately MOP0.3 million due to the addition of office equipment during the year.

**(vi) Finance costs**

Our Group's finance costs increased by approximately MOP10,000 or 3.2% from approximately MOP316,000 for the year ended 31 December 2014 to approximately MOP326,000 for the year ended 31 December 2015. The finance costs remain relatively stable.

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***(vii) Income tax expense***

Our Group's income tax expense increased by approximately MOP0.2 million or 10.5% from approximately MOP1.9 million for the year ended 31 December 2014 to approximately MOP2.1 million for the year ended 31 December 2015. Such increase was mainly attributable to the increase in our Group's profit before tax from approximately MOP18.0 million for the year ended 31 December 2014 to approximately MOP23.1 million for the year ended 31 December 2015, representing an increase of approximately MOP5.1 million or 28.3%. The effective tax rate of our Group was approximately 10.6% and 9.1% for each of the two years ended 31 December 2014 and 2015, respectively. Our Group's effective tax rate was generally below the Macau Complementary Tax rate of 12% which was mainly due to the dividends of MOP1.5 million and MOP5.0 million declared and paid during each of two years ended 31 December 2014 and 2015, respectively, which would be deemed as tax deductible item.

***(viii) Profit and total comprehensive income for the year***

Our Group's profit and total comprehensive income for the year increased by approximately MOP4.9 million or 30.4% from approximately MOP16.1 million for the year ended 31 December 2014 to approximately MOP21.0 million for the year ended 31 December 2015, which was mainly attributable to the combined effect of the aforementioned items.

**Year ended 31 December 2016 compared with the year ended 31 December 2015**

***(i) Revenue***

Our Group's revenue increased by approximately MOP2.3 million or 1.3% from approximately MOP173.7 million for the year ended 31 December 2015 to approximately MOP176.0 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase of approximately MOP4.6 million or 54.8% in revenue derived from emergency repair services, and partly offset by the decrease of approximately MOP2.3 million or 1.4% in the revenue derived from building and ancillary services.



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The following table sets forth a breakdown of our Group's building and ancillary services projects based on their scales of respective revenue recognised during the year ended 31 December 2015 and 2016:

	<b>Year ended 31 December</b>			
	<b>2015</b>		<b>2016</b>	
	<i>MOP'000</i>	<i>Number of projects</i>	<i>MOP'000</i>	<i>Number of projects</i>
Revenue recognised from individual building and ancillary project				
MOP10,000,000 or above	108,835	2	104,838	5
MOP3,000,000 to below MOP10,000,000	41,221	8	32,890	5
MOP1,500,000 to below MOP3,000,000	3,336	2	8,198	4
MOP1,000,000 to below MOP1,500,000	2,575	2	7,175	6
Below MOP1,000,000	9,334	31	9,902	50
<b>Total</b>	<b>165,301</b>	<b>45</b>	<b>163,003</b>	<b>70</b>

Our Group recorded stable revenue derived from building and ancillary services from approximately MOP165.3 million for the year ended 31 December 2015 to approximately MOP163.0 million for the year ended 31 December 2016. The revenue recognised from individual building and ancillary project with over MOP3.0 million decreased from approximately MOP150.1 million for the year ended 31 December 2015 to approximately MOP137.7 million for the year ended 31 December 2016 which was mainly attributable to the completion of Project BA1 during the year ended 31 December 2016 and partly offset by the peak work of Project BA3 which contributed approximately MOP9.3 million for the year ended 31 December 2016. Notwithstanding the revenue was stable during the year ended 31 December 2016 as compare with that of 2015, the average amount of revenue recognised from individual building and ancillary project decreased from approximately MOP3.7 million for the year ended 31 December 2015 to MOP2.3 million for the year ended 31 December 2016. The decrease was mainly attributable to the completion of Project BA1 which we allocated more resources on small size individual building and ancillary projects after that.

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The increase in revenue derived from emergency repair services in 2016 was mainly attributable to the increase in total number of emergency repair projects carried out. There were four emergency repair services projects which contributed aggregate revenue of approximately MOP13.0 million to our Group during the year ended 31 December 2016, whereas there was only one emergency repair project carried out and contributed revenue of approximately MOP8.4 million for the year ended 31 December 2015.

**(ii) Direct costs**

The direct costs of our Group mainly include subcontracting charges, construction material costs and labour costs, while these costs vary among different projects and also may fluctuate substantially from year to year, depending on the progress and stage of projects. Our Group's direct costs decreased by approximately MOP3.8 million or 2.6% from approximately MOP145.7 million for the year ended 31 December 2015 to approximately MOP141.9 million for the year ended 31 December 2016. The following is a discussion of changes in the key components of our Group's direct costs for the year ended 31 December 2016 compared to that of 2015:

The subcontracting charges increased from approximately MOP83.6 million for the year ended 31 December 2015 to approximately MOP86.0 million for the year ended 31 December 2016, representing an increase of approximately MOP2.4 million or 2.9%. Although less construction works was proceeded on Project BA1 in 2016, the peak work of Project BA3 was conducted in 2016 for which we subcontracted certain works (mainly including piling works and ELS works) and therefore resulted in more subcontracting fee charged in FY2016.

The construction material costs increased from approximately MOP21.0 million for the year ended 31 December 2015 to approximately MOP25.8 million for the year ended 31 December 2016, representing an increase of approximately MOP4.8 million or 22.9%. Such increase was mainly due to increase in hard landscaping works proceeded during the year ended 31 December 2016 (such as Project BA13, Project BA14, Project BA15, Project BA17 and Project BA18) which resulted in the significant increase in our material cost on procuring stone (stone cost in FY2015: MOP0.2 million versus stone cost in FY2016: MOP11.0 million).

The labour costs decreased from approximately MOP25.4 million for the year ended 31 December 2015 to approximately MOP22.2 million for the year ended 31 December 2016, representing a decrease of approximately MOP3.2 million or 12.6%. Such decrease was mainly due to the fact that we engaged more of our own site employees for the year ended 31 December 2016 to perform the construction works. The aggregate number of site employees (including project management and supervision, technicians, machinery operators and direct site workers) increased from 47 as at 31 December 2015 to 55 as at 31 December 2016.

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The others of direct costs include mainly equipment rent, depreciation and fuel charges, which decreased from approximately MOP15.6 million for the year ended 31 December 2015 to approximately MOP8.0 million for the year ended 31 December 2016. The equipment rent decreased from approximately MOP5.5 million for the year ended 31 December 2015 to approximately MOP0.8 million, representing a decrease of approximately MOP4.7 million or 85.5%. Such decrease was mainly due to the more hard landscaping works which required less equipment in the year ended 31 December 2016.

### ***(iii) Gross profit and gross profit margin***

Our gross profit increased by approximately MOP6.0 million or 21.4% from approximately MOP28.1 million for the year ended 31 December 2015 to approximately MOP34.1 million for the year ended 31 December 2016 primarily attributable to the increase in revenue and an increase in our Group's gross profit margin of both (i) building and ancillary services segment from approximately 15.8% to approximately 18.3%; and (ii) emergency repair services segment from approximately 23.7% to approximately 33.4%.

Segment gross profit margin of our building and ancillary services increased from approximately 15.8% for the year ended 31 December 2015 to approximately 18.3% for the year ended 31 December 2016. Such increase was mainly due to less construction works proceeded in relation to Project BA1 (revenue in FY2015: MOP77.0 million versus revenue in FY2016: MOP58.0 million), the largest building and ancillary project during the Track Record Period, which generated lower gross profit margin as it involved ELS works which generally are subcontracted out.

Segment gross profit margin of our emergency repair services increased from approximately 23.7% for the year ended 31 December 2015 to approximately 33.4% for the year ended 31 December 2016. The significant increase in the gross profit margin of our emergency services for the year ended 31 December 2016 was mainly due to the increase in the number of emergency repair services projects for the year ended 31 December 2016 with higher profit margin.

Considering that (i) an increase in gross profit margin of our building and ancillary services and (ii) a significant increase in gross profit margin of our emergency repair services, our overall gross profit margin increased from approximately 16.2% for the year ended 31 December 2015 to approximately 19.4% for the year ended 31 December 2016.

### ***(iv) Other income***

Other income of our Group decreased by approximately MOP24,000 or 11.6% from approximately MOP207,000 for the year ended 31 December 2015 to approximately MOP183,000 for the year ended 31 December 2016. Such decrease was mainly attributable to the decrease of interest income from approximately MOP105,000 in the year ended 31 December 2015 to nil in the year ended 31 December 2016.

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**(v) Administrative expenses**

Administrative expenses of our Group increased by approximately MOP1.1 million or 22.9% from approximately MOP4.8 million for the year ended 31 December 2015 to approximately MOP5.9 million for the year ended 31 December 2016. Such increase was mainly attributable to (i) the increase in salary of approximately MOP0.6 million due to the increase in the number of employees in administration, accounting and finance department; (ii) the increase in rent of approximately MOP0.3 million due to the increase in rental expenses on warehouse which is used as our temporary storage and logistic site; and (iii) the increase in staff welfare of approximately MOP0.2 million.

**(vi) Finance costs**

Our Group's finance costs decreased by approximately MOP127,000 or 39.0% from approximately MOP326,000 for the year ended 31 December 2015 to approximately MOP199,000 for the year ended 31 December 2016. Such decrease was mainly attributable to the decrease in borrowings of approximately MOP1.7 million during the year, which in turn decreased the interest expenses incurred.

**(vii) Income tax expense**

Our Group's income tax expense increased by approximately MOP0.1 million or approximately 4.8% from approximately MOP2.1 million for the year ended 31 December 2015 to approximately MOP2.2 million for the year ended 31 December 2016. Such increase was mainly attributable to the increase in our Group's profit before tax from approximately MOP23.1 million for the year ended 31 December 2015 to approximately MOP28.2 million for the year ended 31 December 2016, representing an increase of approximately MOP5.1 million or 22.1%. The effective tax rate of our Group was approximately 9.1% and 8.0% for each of the two years ended 31 December 2015 and 2016, respectively. Our Group's effective tax rate was generally below the Macau Complementary Tax rate of 12%, which was mainly due to the dividends of MOP5.0 million and MOP8.9 million declared and paid, during each of two years ended 31 December 2015 and 2016, respectively which would be deemed as tax deductible item.

**(viii) Profit and total comprehensive income for the year**

Our Group's profit and total comprehensive income for the year increased by approximately MOP5.0 million or 23.8% from approximately MOP21.0 million for the year ended 31 December 2015 to approximately MOP26.0 million for the year ended 31 December 2016, which was mainly attributable to the combined effect of the aforementioned items.

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### Five months ended 31 May 2017 compared with the five months ended 31 May 2016

**(i) Revenue**

Our Group's revenue remained relatively stable at approximately MOP77.3 million for the five months ended 31 May 2016 and 2017. For the five months ended 31 May 2017, the revenue of building and ancillary services increased by approximately MOP1.4 million or 1.9%, whereas the revenue of emergency repair services decreased by approximately MOP1.4 million or 29.8% as compared with the first five months of 2016.

The following table sets forth a breakdown of our Group's building and ancillary services projects based on their scales of respective revenue recognised during the five months ended 31 May 2016 and 2017:

	Five months ended 31 May			
	2016		2017	
	<i>MOP'000</i>	<i>Number of projects</i>	<i>MOP'000</i>	<i>Number of projects</i>
	(unaudited)			
Revenue recognised from individual building and ancillary project				
MOP10,000,000 or above	58,000	1	43,136	3
MOP3,000,000 to below MOP10,000,000	7,048	1	19,469	4
MOP1,500,000 to below MOP3,000,000	2,955	1	6,721	3
MOP1,000,000 to below MOP1,500,000	1,350	1	1,262	1
Below MOP1,000,000	3,198	17	3,422	14
Total	72,551	21	74,010	25

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Our Group recorded a slight increase in revenue derived from building and ancillary services from approximately MOP72.6 million for the five months ended 31 May 2016 to approximately MOP74.0 million for the five months ended 31 May 2017. The increase in revenue was mainly attributable to the increase in revenue recognised from individual building and ancillary project amounting between MOP3,000,000 to MOP10,000,000 which increased from one project amounting to approximately MOP7.0 million for the five months ended 31 May 2016 to four projects amounting to approximately MOP19.5 million for the five months ended 31 May 2017. The revenue recognised from individual building and ancillary project with over MOP10,000,000 decreased from approximately MOP58.0 million for the five months ended 31 May 2016 to approximately MOP43.1 million for the five months ended 31 May 2017 which was mainly attributable to the completion of Project BA1 during FY2016 and partly offset by the peak work of a relatively sizeable project, Project BA12, which started in November 2016 and contributed approximately MOP18.6 million for the five months ended 31 May 2017.

The slight decrease in revenue derived from emergency repair services for the five months ended 31 May 2017 as compared with the first five months of 2016 was mainly attributable to more ad hoc work proceeded for emergency repair projects for the five months ended 31 May 2016.

There were five emergency repair services projects which brought aggregate revenue of approximately MOP3.3 million to our Group during the five months ended 31 May 2017, whereas there were three emergency repair projects carried out and contributed revenue of approximately MOP4.7 million for the five months ended 31 May 2016.

**(ii) Direct costs**

Our Group's direct costs decreased by approximately MOP6.3 million or 9.5% from approximately MOP66.3 million for the five months ended 31 May 2016 to approximately MOP60.0 million for the five months ended 31 May 2017. The direct costs of our Group mainly include subcontracting charges, construction material costs and labour costs, while these costs vary among different projects and also may fluctuate substantially from year to year, depending on the progress and stage of projects. The following is a discussion of changes in the key components of our Group's direct costs for the five months ended 31 May 2017 as compared with that of 2016.

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Our subcontracting charges decreased from approximately MOP45.0 million for the five months ended 31 May 2016 to approximately MOP33.0 million for the five months ended 31 May 2017, representing a decrease of approximately MOP12.0 million or 26.7%. Such decrease was mainly due to the Project BA1 which cost more subcontracting charges was completed in the year ended 31 December 2016.

The construction material costs increased from approximately MOP10.1 million for the five months ended 31 May 2016 to approximately MOP11.0 million for the five months ended 31 May 2017, representing an increase of approximately MOP0.9 million or 8.9%. Such increase was mainly due to the increase in the total number of hard landscaping work projects which required more raw materials for the five months ended 31 May 2017 as compared with that of 2016.

The labour costs increased from approximately MOP7.0 million for the five months ended 31 May 2016 to approximately MOP12.0 million for the five months ended 31 May 2017, representing an increase of approximately 71.4%. Such increase was mainly because more hard landscaping work was proceeded during the five months ended 31 May 2017, such as Project BA13, Project BA14 and Project BA17. These projects incurred more labour as compared with the five months ended 31 May 2016.

The others of direct costs, including mainly the equipment rent, depreciation and fuel charges, remained stable from approximately MOP4.2 million to approximately MOP4.0 million, representing a decrease of approximately MOP0.2 million or 4.8%.

### ***(iii) Gross profit and gross profit margin***

Our gross profit increased from approximately MOP11.0 million for the five months ended 31 May 2016 to approximately MOP17.3 million for the five months ended 31 May 2017 primarily attributable to an increase in our Group's gross profit margin of both (i) building and ancillary services segment from approximately 13.2% to approximately 21.4%; and (ii) emergency repair services segment from approximately 29.7% to approximately 45.9%.

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Segment gross profit margin of our building and ancillary services increased from approximately 13.2% for the five months ended 31 May 2016 to approximately 21.4% for the five months ended 31 May 2017. Such increase was mainly due to (i) the Project BA1, which generated lower gross profit margin as more labour, material cost, machinery and subcontracting works involved, was completed in the year ended 31 December 2016; (ii) more construction works undertaken in the less sizable building and ancillary services projects which generally have higher profit margin as compared that of Project BA1.

Segment gross profit margin of our emergency repair services increased from approximately 29.7% for the five months ended 31 May 2016 to approximately 45.9% for the five months ended 31 May 2017, which was mainly due to renewal of an emergency repair services contract with higher rates for ad hoc works.

Considering that (i) an increase in gross profit margin of our building and ancillary services and (ii) a significant increase in gross profit margin of our emergency repair services, our overall gross profit margin increased from approximately 14.2% for the five months ended 31 May 2016 to approximately 22.4% in for the five months ended 31 May 2017.

**(iv) Other income**

Other income of our Group decreased by MOP56,000 from MOP106,000 for the five months ended 31 May 2016 to MOP50,000 for the five months ended 31 May 2017. Such decrease was mainly attributable to the decrease of approximately MOP57,000 in sundry income.

**(v) Administrative expenses**

Administrative expenses of our Group increased by MOP1.2 million or 50.0% from approximately MOP2.4 million for the five months ended 31 May 2016 to approximately MOP3.6 million for the five months ended 31 May 2017. Such increase was mainly attributable to (i) the increase in salary of approximately MOP1.0 million due to the increase in the directors' emoluments; (ii) the increase in rent of approximately MOP0.3 million due to the rental expenses on a new staff dormitory; and (iii) the increase in staff welfare of approximately MOP0.1 million.



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**(vi) Finance costs**

Our Group's finance costs decreased by MOP26,000 or approximately 27.4% from MOP95,000 for the five months ended 31 May 2016 to MOP69,000 for the five months ended 31 May 2017. Such decrease was mainly attributable to the bank borrowings decreased by approximately MOP0.5 million during the five months ended 31 May 2017, which in turn decreased the interest expenses incurred.

**(vii) Income tax expense**

Our Group's income tax expense increased by approximately MOP0.6 million or approximately 60.0% from approximately MOP1.0 million for the five months ended 31 May 2016 to approximately MOP1.6 million for the five months ended 31 May 2017. Such increase was mainly attributable to the increase in our Group's profit before tax from approximately MOP8.6 million for the five months ended 31 May 2016 to approximately MOP11.5 million for the five months ended 31 May 2017, representing an increase of approximately MOP2.9 million or 33.7%. The effective tax rate of our Group was approximately 11.2% and 13.9% for each of the five months ended 31 May 2016 and 2017, respectively.

**(viii) Profit and total comprehensive income for the period**

Our Group's profit and total comprehensive income for the period increased by approximately MOP2.3 million or 30.3% from approximately MOP7.6 million for the five months ended 31 May 2016 to approximately MOP9.9 million for the five months ended 31 May 2017, which was mainly attributable to the combined effect of the aforementioned items.

### WARRANTY EXPENSES AND PROVISIONS

Our Group is generally required to provide defect liability period on our construction projects. The defect liability periods generally run for a period of one to two years following the completion of the construction project, depending on the type of work our Group undertaken. During the defect liability period, our Group is responsible to repair or rectify any defects or sub-standard construction work our Group undertook. The customers of our Group generally retain a retention money equal to 5% to 10% of the total contract sum. The retention money will generally be returned to us in full upon expiry of the defect liability period. During the Track Record Period, as our Group expected to be able to recover substantially all such retention money, our Group did not make any provision for such money.

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### LIQUIDITY AND CAPITAL RESOURCES

#### Overview

During the Track Record Period, our Group's operations were generally financed through a combination of internally generated cash flows and borrowings from banks. The Directors believe that in the long term, our Group's operation will be funded by internally generated cash flows and bank borrowings, the net proceeds from the Listing and, if necessary, additional equity financing when the needs come.

#### Cash flows

The following table sets forth a condensed summary of our Group's combined statements of cash flows during the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				(unaudited)	
Net cash from (used in) operating activities	18,280	729	28,489	12,314	(8,727)
Net cash used in investing activities	(5,559)	(1,319)	(2,803)	(6,766)	(388)
Net cash from (used in) financing activities	841	(4,592)	(952)	(794)	12,139
Net increase (decrease) in cash and cash equivalents	13,562	(5,182)	24,734	4,754	3,024
Cash and cash equivalents at beginning of the year/period	4,328	17,890	12,708	12,708	37,442
Cash and cash equivalents at end of the year/period, represented by bank balances and cash	17,890	12,708	37,442	17,462	40,666

#### (i) *Operating activities*

Our Group derives its cash inflow from operating activities primarily from the receipt of payments from contract work. Our Group's cash outflow from operations primarily includes subcontracting charges, purchases of construction materials and staff labour costs, and all other operating expenses such as payment of listing expenses, staff welfare, insurance expenses, repairs and maintenance costs, and rental expenses.

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### *Year ended 31 December 2014*

Our Group's operating cash flow before movement in working capital was approximately MOP19.1 million, consisting of profit before income tax expense of approximately MOP18.0 million, adjusted by (i) depreciation of approximately MOP0.8 million; (ii) finance costs of approximately MOP0.3 million; and (iii) bank interest income of approximately MOP0.1 million. Negative working capital changes of approximately MOP0.6 million was mainly due to the increase in: (i) other receivables, deposits and prepayments of approximately MOP2.5 million; and (ii) amounts due from customers for contract work of approximately MOP18.5 million, partly offset by (i) the decrease in trade receivables of approximately MOP18.7 million; and (ii) the increase in trade and other payables and accruals of approximately MOP2.1 million. Based on the foregoing, our Group's net cash generated from operating activities, after the Macau Complementary Tax paid, amounted to approximately MOP18.3 million.

### *Year ended 31 December 2015*

Our Group's operating cash flow before movement in working capital was approximately MOP25.1 million, consisting of profit before income tax expense of approximately MOP23.1 million, adjusted by (i) depreciation of approximately MOP1.7 million; (ii) finance costs of approximately MOP0.3 million; and (iii) bank interest income of approximately MOP0.1 million. Negative working capital changes of approximately MOP23.7 million was mainly due to: (i) the increase in trade receivables of approximately MOP24.5 million; (ii) the increase in amounts due from customers for contract work of approximately MOP18.7 million; and (iii) the decrease in amounts due to related parties of approximately MOP2.7 million, and partly offset by increase in trade and other payables and accruals of approximately MOP22.7 million. Based on the foregoing, our Group's net cash generated from operating activities, after the Macau Complementary Tax paid, amounted to approximately MOP0.7 million.

### *Year ended 31 December 2016*

Our Group's operating cash flow before movement in working capital was approximately MOP30.8 million, consisting of profit before income tax expense of approximately MOP28.2 million, adjusted by (i) depreciation of approximately MOP2.4 million; and (ii) finance costs of approximately MOP0.2 million. Negative working capital changes of approximately MOP0.8 million was mainly due to: (i) the increase in trade receivables of approximately MOP7.8 million; (ii) the increase in other receivables, deposits and prepayments of approximately MOP11.8 million; (iii) the increase in trade and their payables and accruals of approximately MOP0.9 million; and (iv) the decrease in amount due to related parties of approximately MOP3.5 million, and partly offset by

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decrease in amount due from customers for contract work of approximately MOP23.2 million. Based on the foregoing, our Group's net cash generated from operating activities, after the Macau Complementary Tax paid, amounted to approximately MOP28.5 million.

*Five months ended 31 May 2017*

Our Group's operating cash flow before movement in working capital was approximately MOP12.8 million, consisting of profit before income tax expense of approximately MOP11.5 million, adjusted by (i) depreciation of approximately MOP1.1 million; and (ii) finance costs of approximately MOP69,000. Negative working capital changes of approximately MOP21.5 million was mainly due to (i) increase in trade receivables of approximately MOP4.1 million; (ii) increase in other receivables, deposits and prepayments of approximately MOP1.9 million; (iii) increase in amounts due from customers for contract work of approximately MOP5.9 million; (iv) decrease in trade and other payables and accruals of approximately MOP9.6 million. Based on the foregoing, our Group's net cash used in operating activities amounted to approximately MOP8.7 million.

**(ii) Investing activities**

During the Track Record Period, our Group's cash outflow from investing activities primarily consisted of the purchases of property and equipment, deposits paid for acquisition of property, plant and equipment, placement of pledged bank deposits, advances to an associate, and advance to related parties. Our Group's cash inflow from investing activities consisted primarily of interests received, repayment from an associates, withdrawal of pledged bank deposits and repayment from related parties.

*Year ended 31 December 2014*

Our Group recorded net cash used in investing activities of approximately MOP5.6 million primarily as a result of (i) purchases of property and equipment of approximately MOP2.7 million, (ii) deposits paid for acquisition of property, plant and equipment of approximately MOP1.7 million; (iii) advance to an associate of approximately MOP1.8 million; (iv) advance to a related party of approximately MOP18.8 million, and partly offset by the repayment from related parties of approximately MOP19.0 million.

*Year ended 31 December 2015*

Our Group recorded net cash used in investing activities of approximately MOP1.3 million primarily as a result of (i) purchases of property and equipment of approximately MOP5.1 million, (ii) advance to related parties of approximately MOP10.8 million, and partly offset by the repayment from related parties of approximately MOP13.3 million.

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*Year ended 31 December 2016*

Our Group recorded net cash used in investing activities of approximately MOP2.8 million primarily as a result of (i) purchases of property and equipment of approximately MOP3.0 million, (ii) deposits paid for acquisition of property, plant and equipment of approximately MOP0.1 million; and (iii) advance to related parties of approximately MOP6.3 million, and partly offset by the repayment from related parties of approximately MOP6.4 million.

*Five months ended 31 May 2017*

Our Group recorded net cash used in investing activities of approximately MOP0.4 million primarily as a result of purchases of property and equipment of approximately MOP0.4 million.

***(iii) Financing activities***

During the Track Record Period, our Group's cash outflow for financing activities consisted primarily of repayment to related parties, repayment of bank borrowings, payment of interest and dividend and our Group's cash inflow from financing activities consisted primarily of proceeds from issue of shares, advance from related parties and new arisen of bank borrowings.

*Year ended 31 December 2014*

Our Group recorded net cash from financing activities of approximately MOP0.8 million primarily as a result of the new bank borrowings of approximately MOP4.0 million and partly offset by (i) repayments of bank borrowings of approximately MOP1.4 million, (ii) interest payment of approximately MOP0.3 million, and (iii) dividend of approximately MOP1.5 million.

*Year ended 31 December 2015*

Our Group recorded net cash used in financing activities of approximately MOP4.6 million primarily as a result of (i) repayments of bank borrowings of approximately MOP1.9 million, (ii) interest payment of approximately MOP0.3 million, and (iii) dividend of approximately MOP5.0 million and partly offset by the new bank borrowings of approximately MOP2.5 million.

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*Year ended 31 December 2016*

Our Group recorded net cash used in financing activities of approximately MOP1.0 million primarily as a result of (i) repayments of bank borrowings of approximately MOP1.7 million, (ii) interest payment of approximately MOP0.2 million, and (iii) repayment to related parties of approximately MOP2.2 million and partly offset by advance from related parties of approximately MOP3.2 million.

*Five months ended 31 May 2017*

Our Group recorded net cash from financing activities of approximately MOP12.1 million primarily as a result of (i) proceeds from issue of shares of Clear Achieve of approximately MOP13.5 million; and (ii) advance from related parties of approximately MOP1.8 million and partly offset by (i) repayment to related parties of approximately MOP2.6 million; and (ii) repayment of bank borrowings of approximately MOP0.5 million.

### **CAPITAL EXPENDITURES**

Our Group has incurred capital expenditure for the addition of property and equipment, which mainly includes the purchase of (i) plant and machinery; (ii) furniture and fixtures; (iii) motor vehicles, and (iv) office equipment amounting to approximately MOP2.7 million, MOP6.8 million, MOP3.0 million and MOP0.5 million for each of the three years ended 31 December 2014, 2015 and 2016, and the five months ended 31 May 2017, respectively.

Our Group anticipates that the funds required for such capital expenditure will be financed by cash generated from operations, bank borrowings and the net proceeds from the Share Offer. It should be noted that the current plan with respect to future capital expenditure may be subject to change based on the implementation of business plan, including but not limited to, potential acquisitions, the progress of capital projects, market conditions and the outlook of future business conditions. As our Group will continue to expand, additional capital expenditures may be incurred and our Group may consider raising additional funds as and when appropriate. Our Group's ability in obtaining additional funding in the future is subject to a variety of uncertainties including but not limited to, further operation results, financial conditions and cash flows, economic, political and other conditions.

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### WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources and the facilities presently available to our Group, and the estimated net proceeds of the Share Offer, our Group has sufficient working capital for our Group's present requirements for at least the next 12 months commencing on the date of this prospectus.

### OPERATING LEASE COMMITMENTS

#### Our Group as lessee

At the end of each reporting period, our Group had commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 May</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Within one year	927	77	1,205	1,877
In the second to fifth year inclusive	77	–	1,205	1,051
	1,004	77	2,410	2,928

The above operating lease payments represent rental payable by our Group for office premises for the Track Record Period.

Leases and rentals are negotiated and fixed for term of one year to three years.

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### NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	<u>As at 31 December</u>			As at 31 May	As at 30 September
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
	(audited)	(audited)	(audited)	(audited)	(unaudited)
<b>Current assets</b>					
Trade receivables	5,017	29,529	37,343	41,393	17,089
Other receivables, deposits and prepayments	13,372	13,797	25,398	27,312	25,758
Amounts due from customers					
for contract work	54,504	75,640	59,677	61,974	43,625
Amounts due from related parties	4,644	2,345	2,014	2,014	–
Loan to an associate	1,444	583	583	583	–
Pledged bank deposits	300	200	200	200	200
Bank balances and cash	<u>17,890</u>	<u>12,708</u>	<u>37,442</u>	<u>40,466</u>	<u>53,576</u>
	<u>97,171</u>	<u>134,802</u>	<u>162,657</u>	<u>173,942</u>	<u>140,248</u>
<b>Current liabilities</b>					
Trade and other payables and accruals	32,974	55,646	54,715	45,069	24,369
Amounts due to customers					
for contract work	196	2,642	9,876	6,304	3,370
Amounts due to related parties	6,277	3,688	10,060	9,326	159
Tax payable	4,343	5,782	6,557	8,158	9,103
Bank borrowings	<u>1,546</u>	<u>1,725</u>	<u>1,106</u>	<u>1,037</u>	<u>1,056</u>
	<u>45,336</u>	<u>69,483</u>	<u>82,314</u>	<u>69,894</u>	<u>38,057</u>
Net current assets	<u><u>51,835</u></u>	<u><u>65,319</u></u>	<u><u>80,343</u></u>	<u><u>104,048</u></u>	<u><u>102,191</u></u>



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Our Group's net current assets position increased by approximately MOP13.5 million or 26.1% to approximately MOP65.3 million as at 31 December 2015 as compared with that of approximately MOP51.8 million as at 31 December 2014, which was mainly due to (i) the increase in trade receivables of approximately MOP24.5 million, (ii) the increase in amounts due from customers for contract work of approximately MOP21.1 million, and partially offset by (i) the increase in trade and other payables and accruals of approximately MOP22.6 million and (ii) the increase in amount due to customers for contract work of approximately MOP2.4 million.

Our Group's net current assets position increased by approximately MOP15.0 million or 23.0% to approximately MOP80.3 million as at 31 December 2016 as compared with that of approximately MOP65.3 million as at 31 December 2015, which was mainly due to (i) the increase in bank balance and cash of approximately MOP24.7 million, (ii) the increase in other receivables, deposits and prepayments of approximately MOP11.6 million (iii) and increase in trade receivables of approximately MOP7.8 million, and partially offset by (i) an increase in amounts due to customers for contract work of approximately MOP7.3 million, (ii) increase in amounts due to related parties of approximately MOP6.4 million and (iii) decrease in amounts due from customers for contract work of approximately MOP15.9 million.

As at 31 May 2017, our Group's net current assets position increased to approximately MOP104.0 million primarily due to the increase in bank balances and cash due to proceeds received from issue of shares of Clear Achieve.

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## FINANCIAL INFORMATION

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### ANALYSIS OF VARIOUS ITEMS FROM THE COMBINED STATEMENTS OF FINANCIAL POSITION

#### Plant and equipment

Our Group's plant and equipment mainly consist of (i) furniture and fixtures; (ii) motor vehicles; (iii) plant and machinery; and (iv) office equipment.

The following table sets out the carrying amounts of each type of plant and equipment of our Group as at each reporting date:

	As at 31 December			As at
	2014	2015	2016	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Furniture and fixtures	14	24	23	29
Motor vehicles	258	2,044	2,312	2,521
Plant and machinery	4,391	7,625	7,979	7,150
Office equipment	48	132	121	108
Total	4,711	9,825	10,435	9,808

The carrying amount of our plant and equipment increased from approximately MOP4.7 million as at 31 December 2014 to approximately MOP9.8 million as at 31 December 2015 and further increased to approximately MOP10.4 million as at 31 December 2016, and then decreased to approximately MOP9.8 million as at 31 May 2017. The substantial increase was mainly due to our acquisition of additional construction machinery to cope with our business development for providing different types of construction services, particularly the acquisition of (i) excavator and related equipment which increased from approximately 17 units as at 31 December 2014 to 24 units as at 31 May 2017; and (ii) crane and related equipment which increased from approximately 3 units as at 31 December 2014 to 8 units as at 31 May 2017. For each of three years ended 31 December 2016 and the five months ended 31 May 2017, we acquired new machinery in the amount of approximately MOP2.6 million, MOP4.6 million and MOP2.2 million and nil at costs respectively.

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### TRADE RECEIVABLES

The following tables set out our trade receivables as at the dates indicated and our average trade receivables turnover days for the periods indicated:

	As at/for the year ended			As at/ for the
	31 December			five months ended
	2014	2015	2016	31 May 2017
Trade receivables ( <i>MOP'000</i> )	5,017	29,529	37,343	41,393
Average trade receivables turnover days ( <i>Note</i> ) ( <i>Days</i> )	25.4	36.3	69.5	76.9

*Note:*

Our average trade receivables turnover days equals to the average of the opening and closing balances of our trade receivables divided by our revenue and multiplied by 365 days for each of the two years ended 31 December 2014 and 2015 and 366 days for the year ended 31 December 2016 and 151 days for the five months ended 31 May 2017.

Our trade receivables represent progress billing of work we have performed and the progress payment certificates issued by and received from our customers. In respect of our building and ancillary services, we are generally required to submit monthly payment request to obtain interim payment from with regards to the works completed in respect of the preceding month. Our payment applications generally include details of completed works, the actual quantities of our work done and variation order (if any) on a monthly basis. Customers and/or their authorised persons will then carry out an inspection on the completed works and issue a payment certificate to certify the works completed by us. Our customers generally make payment to us generally from 30 to 60 days after they issued payment certificates to us and us sending them invoice. In respect of our emergency repair services, we are generally required to submit our invoices to our customers on a monthly basis, which include (i) our basic monthly fees; and (ii) extra fees charged in relation to ad hoc service items according to the schedule of rates, if so requested by our customers. Payment terms granted by us to our customer generally ranged from approximately 30 to 60 days. Further details of progress payment is set out in the section headed “Business – Customers – Credit Policy” in this prospectus.

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Our trade receivables increased from approximately MOP5.0 million as at 31 December 2014 to approximately MOP29.5 million as at 31 December 2015 primarily attributable to our outstanding progress billings to be received from our customers mainly for (i) a building and ancillary services project in relation to road works and water pipe works at Sai Van Lake, Macau (Project BA2); and (ii) a building and ancillary services project in relation to pile cap construction and other associated services at cross-border industrial area between Macau and Zhuhai (Project BA3).

Our trade receivables increased from approximately MOP29.5 million as at 31 December 2015 to approximately MOP37.3 million as at 31 December 2016 primarily attributable to our outstanding progress billings to be received from our customers mainly for (i) a building and ancillary services project in relation to pile cap construction and other associated services at cross-border industrial area between Macau and Zhuhai (Project BA3); and (ii) a building and ancillary services project in relation to pile cap construction and other associated works for a hotel and casino at Cotai City, Macau (Project BA12).

Our trade receivables increased from approximately MOP37.3 million as at 31 December 2016 to approximately MOP41.4 million as at 31 May 2017 primarily attributable to our outstanding progress billings to be received from our customers mainly for a building and ancillary services project in relation to electrical and mechanical works for a residential and commercial development at Taipa, Macau (Project BA7).

Further details of the aforesaid projects are set out in the section headed “Business – Our Construction Projects” in this prospectus.

Our average trade receivables turnover days were approximately 25.4 days, 36.3 days, 69.5 days and 76.9 days for the three years ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2017, respectively. Our trade receivables turnover days for the years ended 31 December 2014 and 2015 were generally in line with our credit terms and near the low-end of our credit terms. Whereas the trade receivables turnover days for the year ended 31 December 2016 and for the five months ended 31 May 2017 were slightly longer than our general credit terms because the client mix varied during the Track Record Period. The customer A, which contributed more than 90% of the total revenue for the year ended 31 December 2014 and more than 50% of the total revenue for the year ended 31 December 2015, had a practice to settle the accounts receivable of our Group as soon as possible. Therefore, the accounts receivables turnover days was low in 2014 and 2015.

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Our Group grants credit terms of 30-60 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December			As at
	2014	2015	2016	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
0 – 30 days	3,982	17,977	28,387	9,240
31 – 60 days	560	250	3,491	–
61 – 90 days	387	10,033	3,948	12,616
91 – 365 days	69	988	1,452	19,351
Over 365 days	19	281	65	186
	5,017	29,529	37,343	41,393

Before accepting any new customer, our Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 79.4%, 61.8%, 76.0% and 22.3% of trade receivables as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively, are neither past due nor impaired and have good credit quality. These customers have no default of payment in the past.

As at the Latest Practicable Date, approximately MOP38.8 million, 93.6% of our trade receivables as at 31 May 2017 was subsequently settled after the Track Record Period.

Our Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

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Included in our Group's trade receivables are debtors with aggregate carrying amount of approximately MOP1,035,000, MOP11,271,000, MOP8,956,000 and MOP32,153,000 which are past due at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively, for which our Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. Our Group does not hold any collateral over these balances. As at the Latest Practicable Date, approximately MOP30.9 million, 96.0% of our trade receivables which were past due but not impaired as at 31 May 2017 was subsequently settled after the Track Record Period.

### Ageing analysis of trade receivables which are past due but not impaired

	As at 31 December			As at
	2014	2015	2016	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
31 – 60 days	560	250	3,491	–
61 – 90 days	387	10,033	3,948	12,616
91 – 180 days	32	738	1,322	18,436
Over 180 days	56	250	195	1,101
	1,035	11,271	8,956	32,153

In determining the recoverability of a trade receivable, our Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of our Company believe that no impairment required and the outstanding balance which was not impaired are still considered fully recoverable.

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### OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Our other receivables, deposits and prepayments consist of (i) retention receivables; (ii) deposits paid for acquisition property, plant and equipment; (iii) other deposits; (iv) prepayments and others; and (v) deferred listing expenses.

The following table sets forth a breakdown of our Group's other trade receivables, deposits and prepayments as at the dates indicated:

	<u>As at 31 December</u>			<b>As at</b>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<b>31 May</b>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Retention receivables ( <i>Note</i> )	11,637	11,896	20,623	24,003
Deposits paid for acquisition of property, plant and equipment	1,740	–	124	–
Other deposits	520	1,007	3,681	1,550
Prepayments and others	1,370	1,049	1,464	1,416
Deferred listing expenses	–	–	–	714
<b>Total</b>	<u>15,267</u>	<u>13,952</u>	<u>25,892</u>	<u>27,683</u>
<b>Analysed for reporting purposes as:</b>				
Non-current assets	1,895	155	494	371
Current assets	<u>13,372</u>	<u>13,797</u>	<u>25,398</u>	<u>27,312</u>
	<u>15,267</u>	<u>13,952</u>	<u>25,892</u>	<u>27,683</u>

*Note:*

Retention receivables are unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective construction projects.

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Our current other receivables, deposits and prepayments increased from approximately MOP13.4 million as at 31 December 2014 and MOP13.8 million as at 31 December 2015 to approximately MOP25.4 million as at 31 December 2016 and MOP27.3 million as at 31 May 2017, respectively, which was primarily attributable to the increase in our retention money. Typically, our customers are generally entitled to retain up to 10% of each interim payment and up to a maximum limit of 5% of the contract sum as retention money to secure our due performance of the project. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion and/or the expiry of the defect liability period.

Our retention receivables amounted to approximately MOP11.6 million, MOP11.9 million, MOP20.6 and MOP24.0 million, as at 31 December 2014, 2015 and 2016 and 31 May 2017 respectively. As at 31 May 2017, the retention receivables were mainly associated with two major building construction projects, namely Project BA1 and Project BA2. The release of the retention receivables will be subject to practical completion of our works and/or the end of defect liability period.

The following table sets forth the retention receivables are to be settled, based on the completion of maintenance period, at the end of each reporting period as follows:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 May</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<b>2017</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
On demand or within one year	1,386	949	13,374	13,762
After one year	<u>10,251</u>	<u>10,947</u>	<u>7,249</u>	<u>10,241</u>
	<u>11,637</u>	<u>11,896</u>	<u>20,623</u>	<u>24,003</u>

As at the Latest Practicable Date, approximately MOP7.5 million, 31.1% of our retention receivables as at 31 May 2017 was subsequently settled after the Track Record Period.



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## FINANCIAL INFORMATION

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### TRADE AND OTHER PAYABLES AND ACCRUALS

The following table sets forth a breakdown of our Group's trade and other payables as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Trade payables	17,543	39,551	31,185	27,665
Salaries payable	3,817	4,104	4,709	2,934
Retention payables	8,430	9,323	9,668	11,158
Accruals and other payables	3,184	2,668	9,153	3,312
	32,974	55,646	54,715	45,069

Our trade payables increased from approximately MOP17.5 million as at 31 December 2014 to approximately MOP39.6 million as at 31 December 2015 primarily attributable to an increase in our trade payables to Hang Fu and Ao Fat (as defined in the section headed "Business – Suppliers – Top suppliers" in this prospectus). Our trade payables slightly decreased to approximately MOP31.2 million as at 31 December 2016 primarily in line with a slight decrease in our direct costs. Our trade payables significantly decreased to MOP27.7 million as at 31 May 2017 was mainly due to the settlement by our Group during the five months ended 31 May 2017 after the substantial completion of Project BA1.

Further details of the aforesaid projects are set out in the section headed "Business – Our Construction Projects" in this prospectus.

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## FINANCIAL INFORMATION

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The following table sets forth our average trade payables turnover days for the Track Record Period indicated:

	<b>For the year ended 31 December</b>			<b>For the five months ended 31 May 2017</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>
Average trade payables turnover days ( <i>Note</i> )	37.9	71.5	91.2	74.1

*Note:*

Our average trade payables turnover days equals to the average of the opening and closing balances of our trade payables divided by our direct costs and multiplied by 365 days for each of the two years ended 31 December 2014 and 2015 and 366 days for the year ended 31 December 2016 and 151 days for the five months ended 31 May 2017.

Our trade payables turnover days were approximately 37.9 days, 71.5 days, 91.2 days and 74.1 days for the three years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. As our business operates on a non-recurring and project-by-project basis, our direct costs incurred during the Track Record Period may fluctuate subject to the size and the progress of our projects at a given time thereby affecting our trade payables balance and trade payables turnover days as at the end of each reporting period.

The increase in trade payables turnover days from approximately 37.9 days for the year ended 31 December 2014 to approximately 71.5 days for the year ended 31 December 2015 was mainly attributable to the generally longer settlement time of Project BA2 and BA3 due to the prolonged process in receiving progress payments from our customers during the year ended 31 December 2015.

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## FINANCIAL INFORMATION

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The increase in average trade payables turnover days from approximately 71.5 days for the year ended 31 December 2015 to approximately 91.2 days for the year ended 31 December 2016 was mainly attributable to the generally longer settlement time to several subcontractors mainly due to the longer period required by our customers for certifying our progress payments during the year ended 31 December 2016.

The decrease in trade payables turnover days from approximately 91.2 days for the year ended 31 December 2016 to 74.1 days for the five months ended 31 May 2017, which was mainly due to settlement of long outstanding payables.

Please refer to the section headed “Business – Our Construction Projects” in this prospectus for further details.

The credit period grants to our Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>2017</i>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
0 – 30 days	9,165	11,052	6,260	18,755
31 – 60 days	3,155	6,613	11,639	2,032
61 – 90 days	1,236	6,436	667	273
91 – 180 days	2,109	6,498	1,194	549
181 – 365 days	1,469	7,152	6,482	1,048
Over 365 days	409	1,800	4,943	5,008
	17,543	39,551	31,185	27,665

As at 31 December 2014, 2015 and 2016 and as at 31 May 2017, the amounts due within 90 days accounted for approximately 77.3%, 60.9%, 59.5% and 76.1% of our trade payables respectively. Our Directors confirm that our Group had no default in payment to trade payables during the Track Record Period.

As at the Latest Practicable Date, approximately MOP25.0 million, 90.5% of our trade payables as at 31 May 2017 was subsequently settled after the Track Record Period.

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## FINANCIAL INFORMATION

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### AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

The amounts due to customers for contract works represent the excess of the progress billings over costs incurred plus recognised profits (or less recognised loss) and the amount due from customers for contract work represent the excess of costs incurred plus recognised profits (or less recognised losses) over progress billings.

The following table sets forth our Group's amounts due from customers for contract work and amounts due to customers for contract work as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised loss	406,342	536,955	109,304	163,643
Less: Progress billings	(352,034)	(463,957)	(59,503)	(107,973)
<b>Total</b>	<b>54,308</b>	<b>72,998</b>	<b>49,801</b>	<b>55,670</b>
Analysed as:				
Amounts due from customers for contract work	54,504	75,640	59,677	61,974
Amounts due to customers for contract work	(196)	(2,642)	(9,876)	(6,304)
	<b>54,308</b>	<b>72,998</b>	<b>49,801</b>	<b>55,670</b>

As at the Latest Practicable Date, approximately MOP61.8 million, 99.7% of our amounts due from customers for contract works as at 31 May 2017 was subsequently billed, after the Track Record Period.

As at the Latest Practicable Date, approximately MOP60.4 million, 97.4% of our amounts due from customers for contract works as at 31 May 2017 was settled, after the Track Record Period.

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## FINANCIAL INFORMATION

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### AMOUNTS DUE FROM/(TO) RELATED PARTIES/LOAN TO AN ASSOCIATE

#### Amounts due from related parties

The amounts due from related parties are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due from related parties are stated as follows:

	<u>As at 31 December</u>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 May</b>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Mr. Kong	2,603	50	–	–
Hang Kin	<u>2,041</u>	<u>2,295</u>	<u>2,014</u>	<u>2,014</u>
	<u>4,644</u>	<u>2,345</u>	<u>2,014</u>	<u>2,014</u>

Our Directors confirm that all outstanding amounts due from related parties were settled subsequent to 31 May 2017.

#### Loan to an associate

In previous years, Kin Pang disposed an equipment to Hang Kin at a consideration of MOP3,600,000. Kin Pang also agreed Hang Kin to repay the consideration by instalment until June 2016 with 6.25% per annum. The loan is settled subsequent to 31 May 2017. The exposure of our Group's fixed-rate loan to an associate and the contractual maturity dates are as follows:

	<u>As at 31 December</u>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 May</b>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Within one year	1,444	583	583	583
Within a period of more than one year but not more than two years	<u>393</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,837</u>	<u>583</u>	<u>583</u>	<u>583</u>

## FINANCIAL INFORMATION

### Amounts due to related parties

Details of amounts due to related parties are stated as follows:

	<u>As at 31 December</u>			<u>As at</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>31 May</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Mr. Kong	23	29	6,220	5,067
Ms. Choi	51	159	3,567	3,560
Kin Hang	–	3,500	–	–
Kin Yu Construction and Real Estate Company Limited (“ <b>Kin Yu</b> ”) (note a)	3,500	–	–	–
Construtor Civil Kong Kin I (note b)	–	–	273	273
Construcao Kin Pang (note c)	1,160	–	–	426
Fung Ching Construction Compnay Lintied (“ <b>Fung Ching</b> ”) (note d)	630	–	–	–
Ka Chun Engineering Company Limited (“ <b>Ka Chun</b> ”) (note e)	415	–	–	–
Wui Si Construction Design Company Limited (“ <b>Wui Si</b> ”) (note f)	498	–	–	–
	<u>6,277</u>	<u>3,688</u>	<u>10,060</u>	<u>9,326</u>

*Notes:*

- (a) Kin Yu is a limited entity incorporated in Macau that is 50% owned by Mr. Kong and 50% owned by Ms. Kong Pou Ian.
- (b) Construtor Civil Kong Kin I is a sole proprietorship registered in Macau that is wholly owned by Mr. Kong.
- (c) Construcao Kin Pang is a sole proprietorship registered in Macau that is wholly-owned by Mr. Kong. Construcao Kin Pang has cancelled registration on 1 June 2017.
- (d) Fung Ching is a limited entity incorporated in Macau that is 90% owned by Ms. Choi and 10% owned by Mr. Kong Chan U, the son of Mr. Kong and Ms. Choi. Fung Ching was voluntarily deregistered on 5 January 2017.
- (e) Ka Chun is a limited entity incorporated in Macau that is 90% owned by Ms. Choi and 10% owned by Ms. Kong Ka Wan, the daughter of Mr. Kong and Ms. Choi. Ka Chun was voluntarily deregistered on 4 January 2017.
- (f) Wui Si is a limited entity incorporated in Macau that is 80% owned by Ms. Choi, 10% owned by Ms. Kong Pou Ian and 10% owned by Ms. Kong Ka Wan. Wui Si was voluntarily deregistered on 31 May 2017.

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Amounts due to related parties of MOP6,203,000 and MOP3,500,000 are trade in nature as at 31 December 2014 and 2015, respectively. The credit period granting to our Group by these related parties is 60 days. The following is an ageing analysis of trade nature amounts due to related parties based on the invoice date at the end of each reporting period:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>31 May</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<b>2017</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
0 – 30 days	1,629	–	–	–
31 – 60 days	571	–	–	–
61 – 90 days	105	–	–	–
91 – 365 days	3,898	3,500	–	–
Over 365 days	–	–	–	–
	<u>6,203</u>	<u>3,500</u>	<u>–</u>	<u>–</u>

The remaining amounts due to related parties are non-trade in nature, unsecured, interest-free and repayment on demand.

As represented by the management of our Group, the amounts due to related parties will be settled upon the Listing.

### RELATED PARTY TRANSACTIONS

Please refer to the section headed “Relationship with Our Controlling Shareholders – Rule 8.10 of the Listing Rules” and the section headed “Related Party Transactions” in Note 27 of the Accountants’ Report set out in Appendix I to this prospectus for details of our related party transactions during the Track Record Period.

The Directors are of the view that the related party transactions were conducted at arm’s length and on normal commercial terms, and would not distort our Group’s results of operations over the Track Record Period or make our Group’s historical results over the Track Record Period not reflective of our Group’s expectations for our Group’s future performance.

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### TAX LIABILITIES

Our Group's income tax expenses for the three years ended 31 December 2014, 2015 and 2016 and for the five months ended 31 May 2017 were approximately MOP1.9 million, MOP2.1 million, MOP2.2 million and MOP1.6 million, respectively.

Our Group's income tax paid during each of the two years ended 31 December 2014 and 2015 was approximately MOP0.2 million and approximately MOP0.7 million, respectively. Such income taxes paid were assessed and computed by the Financial Services Bureau of the Macau Government (the "**Financial Services Bureau**") based on the tax returns filed by our Group for the respective years of assessment, which were reported by our Group under general financial reporting standards (in Portuguese, Normas Sucintas de Relato Financeiro, and in Chinese, 一般財務報告準則) issued by the Macau Government under Administrative Regulation No. 25/2005 on 9 December 2005 (the "**Macau General Financial Reporting Standards**"). Our Group had appointed an independent local accounting firm (the "**Local Accountant**") to prepare and assist in the Complementary Tax returns submission for FY2014 and FY2015. Complementary Tax filing prepared on Macau FRS complied with the tax regulation. Our Group has settled its tax liabilities as required by the then assessment raised by the Financial Services Bureau amounting to approximately MOP0.2 million and approximately MOP0.7 million during each of the two years ended 31 December 2014 and 2015, respectively. Tax return filing for the year of assessment 2016 in Macau was made on 30 June 2017 and currently under assessment by the Financial Services Bureau.

We have adopted HKFRS in preparation of the financial information of our Group for the purpose of the Listing and therefore relevant adjustments (the "**Relevant Adjustments**") have been made on our management accounts of our Group to arrive at the Accountants' Report for the years ended 31 December 2014, 2015 and 2016. For the sake of accuracy and compliance purpose, tax returns for FY2014 and FY2015 have been properly prepared and resubmitted to the Macau Tax Authority based on the audited financial statements which are prepared in accordance with Hong Kong Financial Reporting Standards for the year ended 31 December 2014 and 31 December 2015, with unqualified audit opinion provided by the Reporting Accountants. Based on the prevailing rules and regulations of Macau Complementary Tax, taxpayers are not required to prepare audited financial statements for tax filing purpose, and hence no separate audited financial statements were issued by the Reporting Accountants. Meanwhile, the financial statements of Kin Pang for the years ended 31 December 2014 and 2015, which were reported in the resubmission of tax returns to the Macau Tax Authority, were extracted from the audited underlying financial statements of the group entities for the three years ended 31 December 2016 and the five months ended 31 May 2017 and unqualified audit opinion provided by the Reporting Accountants on the underlying financial statements of the group entities.



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For the historical statutory financial information reported by our Group under the Macau General Financial Reporting Standards, our Group did not recognise revenue from its construction services contracts and relevant costs, including the corresponding retention monies, of all projects undertaken by our Group for the year ended 31 December 2014, 2015 and 2016 in accordance with Hong Kong Accounting Standard (“HKAS”) 18 “Revenue” and HKAS 11 “Construction Contracts”, which are issued by the HKICPA as they were recognised when relevant invoices were billed to customers (i.e. revenue) or received from suppliers and subcontractors (i.e. direct costs). The Relevant Adjustments were made to the recognition of revenue and direct costs, including the corresponding retention monies, of all projects undertaken by our Group during the year ended 31 December 2014, 2015 and 2016 by reference to the stage of completion of the contract activity at the end of each reporting period in accordance with HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” to follow HKFRS. (i.e. recognised with reference to certified work performed by our Group).

As a result of the foregoing, the revenue of our Group for the years ended 31 December 2014, 2015 and 2016 under the Accountants’ Report was higher than that reflected in the statutory financial information of our Group’s subsidiaries which were used in filing tax return to the Financial Services Bureau for the respective years of assessment, there were understatements in the profits reported in the tax return filed by our Group for tax assessment for the years ended 31 December 2014 and 2015, and the resulted tax undercharged were approximately MOP1.4 million and MOP0.6 million for the year of assessment 2014 and 2015, respectively. As our tax return filing for the year of assessment 2016 is currently under review by the Financial Services Bureau, the actual income tax liabilities of our Group for the same assessment year is still subject to assessment and computation by the Financial Services Bureau. The provisions for the tax undercharged of MOP1.4 million and MOP0.6 million for the year ended 31 December 2014 and 2015, respectively, have been made at the Accountants’ Report.

Our Group has made a filing to the Financial Services Bureau for tax reassessment for the years of assessment 2014 and 2015. For the year of assessment 2016, we have informed the Financial Services Bureau of our adjusted reportable profit. Our Company has yet to receive response from the Financial Services Bureau in this regard as at the Latest Practicable Date. The Controlling Shareholders have agreed to indemnify our Group in respect of any further tax liability and/or the resulting penalty or surcharge as assessed by the Financial Services Bureau in relation to the tax undercharged for the years of assessment 2014, 2015 and 2016 for which our Group may be liable. For details in relation to the indemnity, please refer to the section headed “E. Other Information – 1. Tax and Other Indemnities” in Appendix IV to this prospectus.

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In this regard, our Group has obtained a Macau legal opinion (the “**Macau Legal Opinion**”) issued by the Macau Legal Advisers of our Group. According to the Macau Legal Opinion, the Macau Legal Advisers opine that the previously filed Complementary Tax filing of 2014 and 2015 prepared on Macau FRS complied with the tax regulation and our filing for tax reassessment did not constitute a non-compliance under the laws of Macau as it was caused by accounting adjustments following our adoption of HKFRS as mentioned above, and there was no filing of incorrect information by us to the Financial Services Bureau back at the relevant times. Therefore, in the opinion of the Macau Legal Advisers, such accounting adjustments will likely be accepted by the Financial Services Bureau as valid and legal reason for making our filing for tax reassessment. In any case if the Macau Tax Authority considers that penalty is required for the initial tax filings, with reference to Article 64 of the CT Regulation, inaccurate declarations and verified omissions in CT return will result in penalty of MOP100 to MOP10,000; and if the absence, inaccuracy or omission is verified to be deliberate, the range of penalty will be increased to MOP1,000 to MOP20,000. With reference to Article 65 of the CT Regulation, the absence of proper accounting and finance records in accordance with Group A taxpayer requirements will result in penalty of MOP100 to 2,000. In this regard, the maximum penalties will be MOP22,000 per annum.

### INDEBTEDNESS

The following table sets out our Group’s indebtedness as at dates indicates:

	As at 31 December			As at 31 May	As at 30 Septmeber
	2014	2015	2016	2017	2017
	<u>MOP’000</u>	<u>MOP’000</u>	<u>MOP’000</u>	<u>MOP’000</u>	<u>MOP’000</u>
Unsecured and unguaranteed non-trade amounts due to related parties	74	188	10,060	9,326	159
Secured and guaranteed bank borrowings	<u>5,763</u>	<u>6,383</u>	<u>4,658</u>	<u>4,150</u>	<u>3,811</u>
	<u>5,837</u>	<u>6,571</u>	<u>14,718</u>	<u>13,476</u>	<u>3,970</u>

The bank borrowings and other bank facilities including performance guarantee are secured by (i) and (ii) and guaranteed by (iii):

- (i) the pledged bank balances of MOP300,000, MOP200,000, MOP200,000, MOP200,000 and MOP200,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017 and 30 September 2017, respectively;
- (ii) property owned by Mr. Kong and Ms. Choi; and
- (iii) unlimited personal guarantee by Mr. Kong.

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### Bank borrowings

	<u>As at 31 December</u>			As at	As at
	<u>2014</u>	<u>2015</u>	<u>2016</u>	31 May	30 September
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>2017</u>	<u>2017</u>
	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>	<u>MOP'000</u>
Bank borrowings	<u>5,763</u>	<u>6,383</u>	<u>4,658</u>	<u>4,150</u>	<u>3,811</u>
Carrying amount repayable based on schedule repayment terms:					
- Within one year	1,546	1,725	1,106	1,037	1,056
- More than one year but not exceeding two years	1,122	1,106	1,070	1,036	812
- More than two years but not exceeding five years	1,255	2,134	1,503	1,287	1,307
- More than five years	<u>1,840</u>	<u>1,418</u>	<u>979</u>	<u>790</u>	<u>636</u>
	5,763	6,383	4,658	4,150	3,811
Less: Amounts due within one year under current liabilities	<u>(1,546)</u>	<u>(1,725)</u>	<u>(1,106)</u>	<u>(1,037)</u>	<u>(1,056)</u>
Amounts shown under non-current liabilities	<u>4,217</u>	<u>4,658</u>	<u>3,552</u>	<u>3,113</u>	<u>2,755</u>

The bank borrowings are at floating rate which carry interest at MOP best lending rate plus/minus a spread. The effective interest rate on our Group's bank borrowings was 4.97%, 5.20%, 4.96%, 6.25% and 6.25% per annum as at 31 December 2014, 2015 and 2016 and 31 May 2017 and 30 September 2017, respectively.

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The bank borrowings and other bank facilities including performance guarantee are secured by (i) and (ii) and guaranteed by (iii):

- (i) the pledged bank balances of MOP300,000, MOP200,000, MOP200,000, MOP200,000 and MOP200,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017 and 30 September 2017, respectively;
- (ii) property owned by Mr. Kong and Ms. Choi; and
- (iii) unlimited personal guarantee by Mr. Kong.

As represented by the Directors of our Company, the pledge of properties by a related company and personal guarantee by Mr. Kong will be released upon the Listing.

As at 30 September 2017, our Group had unutilised banking facilities amounted to approximately MOP23.8 million with banking facilities related to performance guarantees of approximately MOP19.8 million and bank overdrafts of approximately MOP4.0 million.

Our Group regularly monitors its compliance with the covenants of all bank facilities and make sure we are up to date with the scheduled repayments of the term loans. The Directors considered it is unlikely that the banks will exercise its discretion to demand repayment for so long as our Group continues to meet these requirements. During the Track Record Period, the Directors confirmed none of the covenants relating to drawn down facilities had been breached.

### CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016 and 31 May 2017 and 30 September 2017, performance guarantee of approximately MOP25,928,000, MOP28,596,000, MOP37,982,000, MOP36,900,000 and MOP36,720,000 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 their customers.

Our performance guarantee of MOP36.7 million given by banks in favour of our customers as at 30 September 2017 is mainly provided in respect of the following projects:

- (i) approximately MOP24.2 million and MOP1.6 million were provided in respect of Project BA1 and Project BA2 respectively;

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- (ii) approximately MOP7.3 million were provided in respect of our various projects with Customer D (being Macau government bureau responsible for land, public works and transport matters); and
- (iii) approximately MOP2.0 million were provided in respect of our projects with Customer B (being the electricity utility company in Macau).

As mentioned in the section headed “Business – Customers – Salient Terms of Engagement”, we would take out performance guarantees in our projects only if they are required by our customers in accordance with the contract terms.

Our Group has contingent liabilities to indemnify the banks for any claims from customers under the guarantee due to the failure of our Group’s performance. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 21 in the Accountants’ Report in Appendix I to this prospectus. At the end of each reporting periods, the management of our Group does not consider it is probable that a claim will be made against our Group.

Save as disclosed above and apart from intra-group liabilities and normal trade bills, our Group did not have, as at the Latest Practicable Date, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities. The Directors confirmed that (i) there has not been any material change in our Group’s indebtedness and contingent liabilities subsequent to the Track Record Period and up to the Latest Practicable Date; (ii) the bank loans and bank facilities are subject to the standard banking conditions and covenants; (iii) our Group has complied with all of the covenants under our Group’s bank borrowings during the Track Record Period; (iv) our Group has not received any notice from the bank indicating that it might withdraw or downsize the bank loans and bank facility; and (v) our Group does not have any material external debt financing plans as at the Latest Practicable Date.

### **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group did not have any material off-balance sheet arrangements or commitments save as disclosed in note 32 in the Accountants’ Report in Appendix I to this prospectus.

### **DISTRIBUTABLE RESERVES**

As at 31 May 2017, our Company did not have any distributable reserve available for distribution to Shareholders.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	Note	As at 31 December			As at
					31 May
		2014	2015	2016	2017
Return on total assets	1	15.5%	14.5%	15.0%	5.4%
Return on equity	2	29.5%	29.8%	29.6%	8.9%
Net profit margin	3	7.8%	12.1%	14.8%	12.9%
Interest coverage	4	58.1	71.9	142.8	168.3

	Note	As at 31 December			As at
					31 May
		2014	2015	2016	2017
Current ratio	5	2.1	1.9	2.0	2.5
Quick ratio	6	2.1	1.9	2.0	2.5
Gearing ratio	7	10.7%	9.3%	16.8%	12.1%
Net debt to equity ratio	8	net cash	net cash	net cash	net cash

*Notes:*

- Return on total assets is calculated by dividing profit and comprehensive income for the respective year/period with total assets as at the end of the respective year/period multiplied by 100%.
- Return on equity is calculated by dividing profit and comprehensive income for the respective year/period with total equity as at the end of the respective year/period multiplied by 100%.
- Net profit margin is calculated by dividing profit and total comprehensive income with revenue for the respective year/period multiplied by 100%.
- Interest coverage is calculated by dividing profit before interest and tax with interest expenses for the respective year/period.
- Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
- Quick ratio is calculated by dividing total current assets minus inventories with total current liabilities as at the end of the respective year/period.
- Gearing ratio is calculated by dividing total debts including bank borrowings and non-trade amount due to related parties which include payables incurred not in the ordinary course of business with total equity as at the end of the respective year/period.
- Net debt to equity ratio is calculated by dividing total debts minus bank balances and cash and pledged bank deposits with total equity as at the end of the respective year/period.

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## FINANCIAL INFORMATION

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### **Return on total assets**

Our Group recorded return on total assets of approximately 15.5%, 14.5%, 15.0% and 5.4% for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. The return on total assets remained relatively stable during the year ended 31 December 2014 to the year ended 31 December 2016. If the listing expenses of approximately MOP2.1 million were excluded, return on total assets of our Group would have been approximately 6.6% for the five months ended 31 May 2017.

### **Return on equity**

Our Group recorded return on equity of approximately 29.5%, 29.8%, 29.6% and 8.9% for the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, respectively. The return on equity remained relatively stable during the year ended 31 December 2014 to the year ended 31 December 2016. If the listing expenses of approximately MOP2.1 million were excluded, return on equity of our Group would have been approximately 10.9% for the five months ended 31 May 2017.

### **Net profit margin**

Our Group recorded net profit margin of approximately 7.8%, 12.1%, 14.8% and 12.9% for each of the three years ended 31 December 2016 and the five months ended 31 May 2017, respectively. If the listing expenses of approximately MOP2.1 million were excluded, net profit margin of our Group would have been approximately 15.6% for the five months ended 31 May 2017.

Our Group's net profit margin increased over the Track Record Period, which was mainly due to the increase in gross profit margin.

Please refer to the section headed "Financial Information – Period to Period Comparison of Results of Operations" in this prospectus for further details.

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## FINANCIAL INFORMATION

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### **Interest coverage**

The interest coverage of our Group was approximately 58.1 times, 71.9 times, 142.8 times and 168.3 times for each of the three years ended 31 December 2016 and the five months ended 31 May 2017, respectively. Our interest coverage increased over the Track Record Period primarily due to our Group's profit before interest and taxation increased from approximately MOP18.4 million for the year ended 31 December 2014 to approximately MOP23.5 million for the year ended 31 December 2015 and further to MOP28.4 million for the year ended 31 December 2016 and our finance cost decreased from approximately MOP316,000 in FY2014 to approximately MOP199,000 in FY2016. The finance cost for the five months ended 31 May 2017 was approximately MOP69,000. Further details of our financial performance are set out in the section headed "Financial Information – Period to period Comparison of Results of Operations" in this prospectus.

### **Current ratio and quick ratio**

Since our Group did not hold any inventory, quick ratio of our Group was the same as our current ratio.

Our Group recorded both current ratio and quick ratio of approximately 2.1, 1.9, 2.0 and 2.5 as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively. Current ratio and quick ratio of our Group remained relatively stable during the Track Record Period. The increase in current ratio as at 31 May 2017 may be attributable to the investment by the Pre-IPO Investor.

### **Gearing ratio**

Our Group's gearing ratio was approximately 10.7%, 9.3%, 16.8% and 12.1% as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively. Our gearing ratio changed over the Track Record Period due to the combined effect of (i) the total equity of our Group increased notably resulting from our net profit of approximately MOP16.1 million, MOP21.0 million, MOP26.0 million and MOP9.9 million for the each of three years ended 31 December 2016 and for the five months ended 31 May 2017, respectively; (ii) the increase in total equity due to the Pre-IPO Investment; (iii) the aggregate amount of our bank borrowings increased from approximately MOP5.8 million as at 31 December 2014 to approximately MOP6.4 million as at 31 December 2015, and decreased to MOP4.7 million as at 31 December 2016 and further decreased to MOP4.2 million as at 31 May 2017; and (iv) increase in non-trade amount due to related parties.



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## FINANCIAL INFORMATION

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### **Net debt to equity ratio**

Net cash position was recorded throughout the Track Record Period, thus the net debt to equity ratio is not applicable to our Group. For further details on our Group's financial performance and borrowings, please refer to the sub-sections headed "Period to Period Comparison of Results of Operations" and "Indebtedness" in this section.

### **CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT**

#### **Capital risk management**

Our Group manages its capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of our Group consists of debt, which includes amounts due to related companies and directors as disclosed in respective notes, and equity of our Group, comprising issued share capital, other reserves and accumulated profits.

Management of our Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. Our Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

#### **Financial risk management**

Our Group is exposed to currency risk, interest rate risk, credit risk, liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the paragraphs headed "Note to the Historical Financial Information – Financial Risk Management Objectives and Policies" in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is based on the audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017 as shown in the Unaudited Pro Forma Financial Information, the text of which is set out in Appendix II to this prospectus, and adjusted as follows:

	<b>Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017</b>	<b>Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017 per Share</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on Offer Price of HK\$0.6 per Offer Share	<u>97,664</u>	<u>99,655</u>	<u>197,329</u>	<u>0.21</u>
Based on Offer Price of HK\$0.4 per Offer Share	<u>97,664</u>	<u>59,907</u>	<u>157,571</u>	<u>0.17</u>

*Notes:*

- (1) The audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the Offer Price of HK\$0.4 per Share and HK\$0.6 per Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by our Group (excluding listing expenses which have been charged to profit or loss up to 31 May 2017). It does not take into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under Share Option Scheme or any Shares which may be issued or repurchased pursuant to the general mandate. For the purpose of calculating the estimated net proceeds from the Share Offer, the translation of HK\$ into MOP was made at the rate of HK\$1.00 to MOP1.03.

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## FINANCIAL INFORMATION

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- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company as at 31 May 2017 per Share is calculate based on 920,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 May 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company's general mandates.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 May 2017.

### LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$24.7 million (equivalent to approximately MOP25.5 million) (based on the Offer Price of HK\$0.5 per Offer Share being the mid-point of the indicative Offer Price range). Of such amount, approximately HK\$8.7 million (equivalent to approximately MOP9.0 million) is directly attributable to the issue of the Share Offer and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK\$16.0 million (equivalent to approximately MOP16.5 million), which cannot be so deducted, will be charged to profit or loss. Approximately HK\$2.1 million (equivalent to approximately MOP2.1 million) has been charged during the Track Record Period. The remaining amount of approximately HK\$13.9 million (equivalent to approximately MOP14.4 million) is expected to be incurred for the year ending 31 December 2017. Expenses in relation to the Listing are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the Listing.

With an Offer Price of HK\$0.5, the underwriting commissions and fees payable by the Selling Shareholder for the Sale Shares is HK\$0.9 million. Except for the aforementioned underwriting commissions and fees, the Selling Shareholder is not responsible for other expenses relating to the Listing, which should instead be borne by and accounted for by us. All the contracts for the professional services in relation to the Listing have been entered into between our Group and the respective service providers and as such, all the relevant services have been rendered to our Group only. On the other hand, the Selling Shareholder is not a party to the service contracts and therefore is not liable for any of the associated costs.

### DIVIDENDS

During the years ended 31 December 2014, 2015 and 2016 and the five months ended 31 May 2017, Kin Pang declared and paid dividends of MOP1,500,000, MOP5,000,000, MOP8,900,000 and nil, respectively, to the then shareholders.

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## **FINANCIAL INFORMATION**

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The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

Other than as disclosed above, no dividend was paid or declared by our Companies comprising our Group during the Track Record Period.

Our Group currently does not have a fixed dividend policy. Dividend to be declared and paid in the future will be subject to the discretion of our Directors depending on our Group's business performance, financial conditions, cash availability, related statutory restrictions, future plan and prospects, and any other factors that our Directors may consider relevant. Any declaration and payment, including the amount of the dividends, will be subject to our Group's constitutional documents and the relevant laws.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

The Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rule 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Save as the listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2017 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 May 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS AND BENEFITS FOR THE LISTING

Our Directors believe that the Listing will benefit our Group for the below reasons:

1. The business operations of our Group are labour intensive and our Group's projects normally incur net cash outflows at the early stage of carrying out its works when our Group is required to pay the setting up expenditure such as prepayment of subcontracting fees, material costs as well as performance bonds, prior to payment received from our customers. As detailed in the section headed "Business – Business Strategies" in this prospectus, our Group intends to strengthen our Group's financial capabilities to undertake more new and larger scale building and ancillary service projects. Our Directors believe that the capital raised through the Listing would strengthen our Group's cashflow position which in turn will enable our Group to undertake more potential new projects and/or projects in larger scale in terms of contract sum that our Directors estimate to obtain to capture the growth in market size of construction market in Macau;
2. As the majority of new businesses are obtained through tender invitation by customers, keeping strong relationship with our customers is critical to maintain the competitiveness of our Group. In addition, our Directors believe that the success of our Group is the ability to provide quality services to our customers. In order to maintain our Group's competitiveness and further enhance the control on the quality of services provided, our Directors believe that that the capital raised through the Listing would enable our Group to further expand its in-house team with high caliber so as to explore new business opportunities and provide quality services to our customers in Macau;
3. During the Track Record Period, our Group had relied principally on shareholder's equity, cash generated from operations and bank borrowings to finance our business. Our Group will be able to maintain a lower gearing ratio by raising equity funds through the Listing to implement our business strategies as detailed in the section headed "Business – Business Strategies" in this prospectus. The Listing also provides a platform for our Group to raise further equity capital in the future given (a) the finance costs incurred for the Track Record Period which affects our Group's profitability; and (b) the uncertain interest rate movement going forward which may expose our Group to increasing borrowing costs in the future via debt financing. Further, our Directors believe that the Listing would enable our Group to obtain debt financing with more favourable terms from financial institutions;

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## **FUTURE PLANS AND USE OF PROCEEDS**

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4. As set out in the section headed “Industry Overview – Competitive Landscape of the Macau Building and Ancillary Service Market” in this prospectus, the building and ancillary service industry in Macau is quite competitive, with around 500 players in the market and the presence of Hong Kong-based players holding considerable market shares. As such, our Directors believe that the Listing will allow our Group to strengthen our profile among other competitors in Macau which in turn enhance our competitiveness; and
5. The majority of our Group’s major customers are listed companies or Macau electricity and water utility companies and the Macau Government and our Directors believe that some of our customers may prefer to engage contractor which is a listed company with higher corporate profile, creditability, sound internal and corporate governance practice, regulatory supervision and financial transparency.

In addition, we intend to implement our business strategies and future plans as detailed in this section and the section headed “Business – Business Strategies” in this prospectus, which require funding and are intended to be financed by the proceeds from the Share Offer.

### **FUTURE PLANS**

Please refer to the section headed “Business – Business Strategies” in this prospectus from our Group’s business strategies and future plans.

### **USE OF PROCEEDS**

The net proceeds to be received by us from the Share Offer based on the Offer Price of HK0.5 per Share (being the mid-point of the indicative Offer Price range), after deducting related expenses of approximately HK\$24.7 million in connection with the Share Offer, are estimated to be approximately HK\$75.3 million (equivalent to approximately MOP77.6 million). Our Directors presently intend that the net proceeds will be applied as follows:

- approximately HK\$41.4 million (equivalent to approximately MOP42.7 million) (approximately 55% of the net proceeds) will be used for financing for the issue of performance guarantees for future projects;
- approximately HK\$15.1 million (equivalent to approximately MOP15.6 million) (approximately 20% of the net proceeds) will be used for acquiring additional machinery and equipment including but not limited to 1 set of crane, 5 sets of excavators, 3 sets of generators, 3 sets of hydraulic machines and other related machinery and equipment.

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately HK\$11.3 million (equivalent to approximately MOP11.6 million) (approximately 15% of the net proceeds) will be used for further strengthening our manpower;
- approximately HK\$7.5 million (equivalent to approximately MOP7.7 million) (approximately 10% of the net proceeds) will be used as our general working capital.

To the extent that the net proceeds from the issue of the Offer Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

If the Offer Price is set at the high-end of the indicative Offer Price range at HK\$0.6 per Offer Share, the net proceeds from the Share Offer will increase to approximately HK\$94.6 million. If the Offer Price is set at the low-end of the indicative Offer Price range, at HK\$0.4 per Offer Share, the net proceeds from the Share Offer will decrease to approximately HK\$56.0 million. If the Offer Price is finally determined to be less than HK\$0.5 (being the mid-point of the indicative range of the Offer Price), our Group will reduce the proposed use of net proceeds on a pro rata basis and will finance such shortfall by internal cash resources, working capital and/or other financing, as and when appropriate. If the Offer Price is finally determined to be more than HK\$0.5, our Group will apply the additional net proceeds to the above purposes in the same proportions as set out above. Under such circumstances, we will adjust our allocation of the net proceeds in the same proportion as set out above.

Assuming the Offer Price is fixed at HK\$0.5 per Share (being the mid-point of the indicative range of the Offer Price), we estimate that the Selling Shareholder will receive net proceeds of approximately HK\$24.13 million, after deducting the underwriting commissions and fees payable by the Selling Shareholder in respect of the Sale Shares. We will not receive the net proceeds from the sale of the Sale Shares by the Selling Shareholder in the Share Offer.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will disclose such changes in our annual report in accordance with the Listing Rules and will issue an announcement where the changes constitute inside information.

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## UNDERWRITING

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### **PUBLIC OFFER UNDERWRITERS**

Astrum Capital Management Limited

ChaoShang Securities Limited

China Jianxin Financial Services Limited

Sorrento Securities Limited

### **LEAD MANAGER**

Astrum Capital Management Limited

### **BOOKRUNNER**

Astrum Capital Management Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Public Offer**

#### ***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares 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, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.



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## UNDERWRITING

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### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Bookrunner shall have the absolute right by notice in writing to our Company (for ourselves and on behalf of the Selling Shareholder) to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Bookrunner:
  - (i) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Bookrunner, to be material in the context of the Public Offer; or
  - (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Bookrunner, to be material in the context of the Public Offer; or
  - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Bookrunner to be material in the context of the Public Offer; or
  - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Bookrunner, a material omission in the context of the Public Offer; or
  - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of our executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or

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## UNDERWRITING

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- (vi) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Bookrunner, is material;
2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (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 Macau, Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
  - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Macau, Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
  - (iii) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
  - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
  - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Macau, Hong Kong, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
  - (vi) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
  - (vii) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or

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## UNDERWRITING

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(viii) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Bookrunner acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

### ***Undertakings***

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Bookrunner, the Sponsor, the Lead Manager and the Public Offer Underwriters that, except pursuant to the Share Offer, the Capitalisation Issue and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Bookrunner, such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules:

- (i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or

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## UNDERWRITING

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- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the “**First Six-month Period**”).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Bookrunner, our Company and the Public Offer Underwriters that during the First Six-month Period, it/he/she shall not, and shall procure that the relevant registered holder(s) and its/his/her associates and companies controlled by it/he/she and any nominee or trustee holding in trust for it/him/her shall not, without the prior written consent of the Bookrunner unless in compliance with the requirements of the Listing Rules:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it/he/she is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of our Controlling Shareholders has jointly and severally undertaken to the Bookrunner, our Company and the Public Offer Underwriters that it/he/she shall not, and shall procure that the relevant registered holder(s) and its/his/her associates or companies controlled by it/him/her and any nominee or trustee holding in trust for it/him/her shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it/him/her or any of its/his/her associates or

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## UNDERWRITING

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companies controlled by it/him/her or her or any nominee or trustee holding in trust for it/him/her if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it/him/her or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Bookrunner and the Public Offer Underwriters that within the first twelve months from the Listing Date, he/it/she will:

- (i) when he/it/she pledges or charges any securities or interests in the securities of our Company beneficially owned by him/it/her directly or indirectly, immediately inform our Company and the Bookrunner in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and
- (ii) when he/it/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Bookrunner in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by our Controlling Shareholders and disclose such matters by way of a press announcement.

### **The Placing**

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe/purchase or procure subscribers/purchasers for the Placing Shares being offered pursuant to the Placing.

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## **UNDERWRITING**

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### **Commissions and expenses**

The Public Offer Underwriters will receive an underwriting commission at the rate of 3.5% of the aggregate Offer Price payable for the Public Offer Shares, out of which they will pay any sub-underwriting commissions in connection with the Share Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing. The aggregate commission payable to the Underwriters, together with the Stock Exchange trading fees and the SFC transaction levy relating to the Share Offer, is currently estimated to be approximately HK\$4.4 million in aggregate (based on an Offer Price of HK\$0.5 per Offer Share) and are payable by our Company and the Selling Shareholder with reference to the number of New Shares and Sale Shares under the Share Offer respectively.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

### **INDEPENDENCE OF THE SPONSOR**

Red Sun Capital Limited, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **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 an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE SHARE OFFER

The Share Offer consists of:

- the Public Offer of 25,000,000 Shares (subject to reallocation as mentioned below) as described under the section headed “Structure and Conditions of the Share Offer – The Public Offer” in this prospectus; and
- the Placing of 225,000,000 Shares comprising 175,000,000 New Shares and 50,000,000 Sale Shares (subject to reallocation as mentioned below) as described under the section headed “Structure and Conditions of the Share Offer – The Placing” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section headed “Structure and Conditions of the Share Offer – Pricing and Allocation” in this prospectus.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$0.6 per Offer Share and is expected to be not less than HK\$0.4 per Offer Share, unless otherwise announced. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$0.6 per Public Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$6,060.46 for one board lot of 10,000 Shares. Each Application Form includes a table showing the exact amounts payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.6 per Public Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Determining the Offer Price**

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about the Price Determination Date. The Offer Price is expected to be fixed by agreement between the Bookrunner (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 6 December 2017.

**If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholder) and the Bookrunner (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before the Price Determination Date, the Share Offer will not proceed and will lapse.**

### **Reduction in Offer Price and/or number of Offer Shares**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Bookrunner (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the Stock Exchange’s website and on our Company’s website, the notice of the reduction in the indicative Offer Price and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price indicated in this prospectus.

**Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer.**



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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### Allocation

The Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Bookrunner.

Allocation of the Offer Shares pursuant to the Placing will be determined by the Bookrunner and will be based on a number of factors including the level and timing of demand, 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, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### Announcement of the basis of allocations

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** application forms, or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, will be made available through a variety of channels as described in the section headed "How to Apply for Public Offer Shares – 11. Publication of results" in this prospectus.

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be made available pursuant to the Capitalisation Issue);
- the execution and delivery of the Placing Underwriting Agreement; and

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- the obligations of the Underwriters under each of the Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us on the Stock Exchange's website and on our Company's website on the next day following such lapse.

**Share certificates for the Offer Shares are expected to be issued on Thursday, 14 December 2017 but will only become valid certificates of title at 8:00 a.m. on Friday, 15 December 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The Public Offer – Grounds for Termination" in this prospectus has not been exercised.**

### THE PUBLIC OFFER

#### Number of Shares initially offered

Our Company is initially offering 25,000,000 Shares at the Offer Price, representing 10% of the 250,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Completion of the Public Offer is subject to the conditions as set out in the section headed "Structure and Conditions of the Share Offer – Conditions of the Public Offer" above.

#### Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools. Pool A will comprise 12,500,000 Public Offer Shares and Pool B will comprise 12,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 12,500,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Allocation of the 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. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which 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.

### **Reallocation**

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 75,000,000 Shares, 100,000,000 Shares and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer. In such cases, the number of Shares allocated in the Placing will be correspondingly reduced, in such manner as the Bookrunner deems appropriate.

If the Public Offer Shares are not fully subscribed, the Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Bookrunner deems appropriate. In addition, the Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Bookrunner.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### **Applications**

The 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 Bookrunner so as to allow it 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.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person 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 or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

### **THE PLACING**

#### **Number of Offer Shares offered**

The number of Shares to be initially offered for subscription/purchase under the Placing will be 225,000,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

#### **Allocation**

Pursuant to the Placing, the Placing Underwriters will conditionally place the Shares with institutional, professional and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the "bookbuilding" process described in section headed "Structure and Conditions of the Share Offer – Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, 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 Shares, and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

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

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 15 December 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 15 December 2017. The Shares will be traded in board lots of 10,000 Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for 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); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any 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 participated in the Placing.

### 3. APPLYING FOR OFFER SHARES

#### Which application channel to use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the application forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 November 2017 to 12:00 noon on Tuesday, 5 December 2017 from:

- (i) the following addresses of the Underwriters:
  - **Astrum Capital Management Limited** at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
  - **ChaoShang Securities Limited** at Rooms 4001-4002, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- **China Jianxin Financial Services Limited** at Room 907, Wing On Centre, 111 Connaught Road Central, Hong Kong
- **Sorrento Securities Limited** at 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
Kowloon	Mong Kok Branch	589 Nathan Road, Mong Kok
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
New Territories	East Point City Branch	Shop 101, East Point City, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 November 2017 until 12:00 noon on Tuesday, 5 December 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for Lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Kin Pang Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, 30 November 2017 – 9:00 a.m. to 5:00 p.m.
- Friday, 1 December 2017 – 9:00 a.m. to 5:00 p.m.
- Saturday, 2 December 2017 – 9:00 a.m. to 1:00 p.m.
- Monday, 4 December 2017 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 5 December 2017 – 9:00 a.m. to 12:00 noon



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 December 2017, 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.

#### 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 **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) **undertake** to execute all relevant documents and instruct and authorise our Company and/or the 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 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 (WUMP) 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 Sponsor, the Bookrunner, 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, the receiving bank, the Bookrunner, 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;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sponsor, the Bookrunner 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 Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) 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 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 Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company and the Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (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 the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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(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 see the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service 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 **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 30 November 2017 until 11:30 a.m. on Tuesday, 5 December 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 December 2017 or such later time under the “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (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 Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Bookrunner 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 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 Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - **agree** to accept the Offer Shares applied for or any lesser number allocated;
  - **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 Offering;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, the Directors and the Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Bookrunner, 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, the Bookrunner, 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

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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such collateral contract to be in consideration of our Company agreeing that it will not offer any Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for 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 (WUMP) Ordinance and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to 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 Offer Shares on your behalf;

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Offer Shares. Instructions for more than 10,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, 30 November 2017 – 9:00 a.m. to 8:30 p.m. <sup>(1)</sup>
- Friday, 1 December 2017 – 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
- Monday, 4 December 2017 – 8:00 a.m. to 8:30 p.m. <sup>(1)</sup>
- Tuesday, 5 December 2017 – 8:00 a.m. <sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 November 2017 until 12:00 noon on Tuesday, 5 December 2017 (24 hours daily, except the last application day). The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 5 December 2017, 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.



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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (WUMP) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Bookrunner, the Lead Manager, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Lead Manager, the Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Offer Shares.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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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 Tuesday, 5 December 2017.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 9. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 10,000 Offer Shares. Each application or electronic application instruction in respect of more than 10,000 Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.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).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Pricing and allocation” in this prospectus.

### 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 Tuesday, 5 December 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 5 December 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 11. PUBLICATION OF RESULTS

Our Company expects to announce the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Offer Shares on Thursday, 14 December 2017 on our Company's website at **www.kinpang.com.mo** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offering will be available at the dates and times and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.kinpang.com.mo** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, 14 December 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m., Thursday, 14 December 2017 to 12:00 midnight, on Wednesday, 20 December 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 14 December 2017 to Tuesday, 19 December 2017 (excluding Saturday and Sunday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 14 December 2017 to Monday, 18 December 2017 at all the receiving bank designated 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 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 **HK eIPO White 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Bookrunner, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Offer Shares is void:**

The allotment of Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- 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) Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- 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 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, 14 December 2017.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### 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 (i) all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 14 December 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m., Friday, 15 December 2017 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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### Personal collection

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 14 December 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong 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, 14 December 2017, by ordinary post and at your own risk.

#### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 14 December 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 14 December 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.



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- *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" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 December 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the HK eIPO White Form Service***

If you apply for 1,000,000 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, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 14 December 2017, or such other date as notified by our Company on the website of our Company at **www.kinpang.com.mo** or on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post 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, 14 December 2017 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-Auto 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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*(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, 14 December 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of results" above on 14 December 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 14 December 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 14 December 2017. 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.

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## HOW TO APPLY FOR PUBLIC OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 14 December 2017.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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-61, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KIN PANG HOLDINGS LIMITED AND RED SUN CAPITAL LIMITED

### Introduction

We report on the historical financial information of Kin Pang Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-61, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 May 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 December 2016 and the five months ended 31 May 2017 (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-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2017 (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 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 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 2014, 2015 and 2016 and 31 May 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 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 combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the five months ended 31 May 2016 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 1 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 the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the 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 1 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**

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

**Dividends**

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company’s subsidiaries in respect of the Track Record Period.

**No historical financial statements for the Company**

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

30 November 2017

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Clear Achieve Global Limited ("Clear Achieve") and its subsidiary and the financial statements of Greatway Construction Engineering Limited ("Greatway") for the Track Record Period (collectively known as "Underlying Financial Statements"). The consolidated financial statements of Clear Achieve and the financial statements of Greatway have been prepared in accordance with the accounting policies which conform with the 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 Macau Pataca ("MOP"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (MOP'000) except when otherwise indicated.

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

	NOTES	Year ended 31 December			Five months ended	
		2014	2015	2016	31 May	
		MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000	
					(unaudited)	
Revenue	5	206,945	173,709	176,039	77,293	77,301
Direct costs		<u>(186,198)</u>	<u>(145,653)</u>	<u>(141,929)</u>	<u>(66,293)</u>	<u>(59,981)</u>
Gross profit		20,747	28,056	34,110	11,000	17,320
Other income	7	154	207	183	106	50
Administrative expenses		(2,549)	(4,809)	(5,867)	(2,430)	(3,615)
Finance costs	8	(316)	(326)	(199)	(95)	(69)
Listing expenses		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,141)</u>
Profit before taxation	9	18,036	23,128	28,227	8,581	11,545
Income tax expense	10	<u>(1,913)</u>	<u>(2,104)</u>	<u>(2,248)</u>	<u>(958)</u>	<u>(1,601)</u>
Profit and total comprehensive income for the year/period		<u>16,123</u>	<u>21,024</u>	<u>25,979</u>	<u>7,623</u>	<u>9,944</u>



## COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December			As at
		2014	2015	2016	31 May 2017
		MOP'000	MOP'000	MOP'000	MOP'000
<b>Non-current assets</b>					
Property, plant and equipment	13	4,711	9,825	10,435	9,808
Deposits	16	1,895	155	494	371
Interest in an associate	14	–	–	–	–
Loan to an associate	20	393	–	–	–
		<u>6,999</u>	<u>9,980</u>	<u>10,929</u>	<u>10,179</u>
<b>Current assets</b>					
Trade receivables	15	5,017	29,529	37,343	41,393
Other receivables, deposits and prepayments	16	13,372	13,797	25,398	27,312
Amounts due from customers for contract work	17	54,504	75,640	59,677	61,974
Amounts due from related parties	20	4,644	2,345	2,014	2,014
Loan to an associate	20	1,444	583	583	583
Pledged bank deposits	18	300	200	200	200
Bank balances and cash	18	17,890	12,708	37,442	40,466
		<u>97,171</u>	<u>134,802</u>	<u>162,657</u>	<u>173,942</u>
<b>Current liabilities</b>					
Trade and other payables and accruals	19	32,974	55,646	54,715	45,069
Amounts due to customers for contract work	17	196	2,642	9,876	6,304
Amounts due to related parties	20	6,277	3,688	10,060	9,326
Tax payable		4,343	5,782	6,557	8,158
Bank borrowings	21	1,546	1,725	1,106	1,037
		<u>45,336</u>	<u>69,483</u>	<u>82,314</u>	<u>69,894</u>
Net current assets		<u>51,835</u>	<u>65,319</u>	<u>80,343</u>	<u>104,048</u>
Total assets less current liabilities		<u>58,834</u>	<u>75,299</u>	<u>91,272</u>	<u>114,227</u>
<b>Non-current liabilities</b>					
Bank borrowings	21	4,217	4,658	3,552	3,113
Net assets		<u>54,617</u>	<u>70,641</u>	<u>87,720</u>	<u>111,114</u>
<b>Capital and reserves</b>					
Share capital	22	250	250	250	–
Reserves		<u>54,367</u>	<u>70,391</u>	<u>87,470</u>	<u>97,664</u>
Equity attributable to owners of the Company		54,617	70,641	87,720	97,664
Non-controlling interests		–	–	–	13,450
Total equity		<u>54,617</u>	<u>70,641</u>	<u>87,720</u>	<u>111,114</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Sub-total MOP'000	Non- controlling interests MOP'000	Total MOP'000
	Share capital MOP'000	Legal reserve MOP'000 (Note)	Other reserve MOP'000	Accumulated profits MOP'000			
At 1 January 2014	250	125	-	39,619	39,994	-	39,994
Profit and total comprehensive income for the year	-	-	-	16,123	16,123	-	16,123
Dividends paid (note 11)	-	-	-	(1,500)	(1,500)	-	(1,500)
At 31 December 2014	250	125	-	54,242	54,617	-	54,617
Profit and total comprehensive income for the year	-	-	-	21,024	21,024	-	21,024
Dividends paid (note 11)	-	-	-	(5,000)	(5,000)	-	(5,000)
At 31 December 2015	250	125	-	70,266	70,641	-	70,641
Profit and total comprehensive income for the year	-	-	-	25,979	25,979	-	25,979
Dividends paid (note 11)	-	-	-	(8,900)	(8,900)	-	(8,900)
At 31 December 2016	250	125	-	87,345	87,720	-	87,720
Profit and total comprehensive income for the period	-	-	-	9,944	9,944	-	9,944
Transfer upon reorganisation (note 1(v))	(250)	-	250	-	-	-	-
Capital injection from pre-IPO investor of Clear Achieve (note 1(iii))	-	-	-	-	-	13,450	13,450
At 31 May 2017	-	125	250	97,289	97,664	13,450	111,114
At 1 January 2016	250	125	-	70,266	70,641	-	70,641
Profit and total comprehensive income for the period (unaudited)	-	-	-	7,623	7,623	-	7,623
At 31 May 2016 (unaudited)	250	125	-	77,889	78,264	-	78,264

*Note:* In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiary registered in Macau is required to transfer part of its profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of its share capital.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2016 MOP'000 (unaudited)	2017 MOP'000
<b>OPERATING ACTIVITIES</b>					
Profit before taxation	18,036	23,128	28,227	8,581	11,545
Adjustments for:					
Depreciation	844	1,703	2,400	905	1,139
Finance costs	316	326	199	95	69
Interest income	(90)	(105)	–	–	–
Operating cash flows before movements in working capital	19,106	25,052	30,826	9,581	12,753
Decrease (increase) in trade receivables	18,738	(24,512)	(7,814)	10,777	(4,050)
(Increase) decrease in other receivables, deposits and prepayments	(2,531)	(425)	(11,816)	(6,469)	(1,915)
(Increase) decrease in amounts due from customers for contract work, net	(18,512)	(18,690)	23,197	13,334	(5,869)
Increase (decrease) in trade and other payables and accruals	2,084	22,672	(931)	(14,909)	(9,646)
Decrease in amounts due to related parties	(437)	(2,703)	(3,500)	–	–
Cash generated from (used in) operations Macau Complementary Tax paid	18,448 (168)	1,394 (665)	29,962 (1,473)	12,314 –	(8,727) –
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>18,280</b>	<b>729</b>	<b>28,489</b>	<b>12,314</b>	<b>(8,727)</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment	(2,651)	(5,077)	(3,010)	(504)	(388)
Interest received	90	105	–	–	–
Deposits paid for acquisition of property, plant and equipment	(1,740)	–	(124)	–	–
Withdrawal of pledged bank deposits	–	100	–	–	–
Placement of pledged bank deposits	(300)	–	–	–	–
Repayment from an associate	589	1,254	281	–	–
Advance to an associate	(1,760)	(254)	–	–	–
Repayment from related parties	19,021	13,329	6,358	46	–
Advance to related parties	(18,808)	(10,776)	(6,308)	(6,308)	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,559)</b>	<b>(1,319)</b>	<b>(2,803)</b>	<b>(6,766)</b>	<b>(388)</b>

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
<b>FINANCING ACTIVITIES</b>					
Capital injection from pre-IPO investor of					
Clear Achieve	-	-	-	-	13,450
Advance from related parties	70	114	3,169	379	1,838
Repayment to related parties	-	-	(2,197)	(159)	(2,572)
Repayment of bank borrowings	(1,413)	(1,927)	(1,725)	(919)	(508)
New bank borrowings raised	4,000	2,547	-	-	-
Interests paid	(316)	(326)	(199)	(95)	(69)
Dividends paid	(1,500)	(5,000)	-	-	-
	<u>841</u>	<u>(4,592)</u>	<u>(952)</u>	<u>(794)</u>	<u>12,139</u>
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>					
	<u>841</u>	<u>(4,592)</u>	<u>(952)</u>	<u>(794)</u>	<u>12,139</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	13,562	(5,182)	24,734	4,754	3,024
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD</b>					
	<u>4,328</u>	<u>17,890</u>	<u>12,708</u>	<u>12,708</u>	<u>37,442</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash</b>					
	<u>17,890</u>	<u>12,708</u>	<u>37,442</u>	<u>17,462</u>	<u>40,466</u>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 22 June 2017. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the HKICPA.

Before the completion of the reorganisation, Kin Pang Construction and Engineering Company Limited ("Kin Pang") and Greatway, the operating subsidiaries of the Group, were owned by Mr. Kong Kin I ("Mr. Kong") and Ms. Choi Fong Lan ("Ms. Choi"), who is the spouse of Mr. Kong.

In preparation of the listing of the Company's shares on the Stock Exchange (the "Listing"), the companies comprising the Group underwent the reorganisation as described below.

- (i) On 1 March 2017, Clear Achieve was incorporated as limited liability company in the British Virgin Islands ("BVI") by issuing 60 shares and 40 shares of United States dollar ("US\$") 1.00 each to Mr. Kong and Ms. Choi, respectively. On 19 May 2017, Clear Achieve allotted and issued 48 shares and 32 shares to Mr. Kong and Ms. Choi, respectively. The allotment was completed and shares were issued on 1 June 2017.
- (ii) On 31 May 2017, Mr. Kong and Ms. Choi transferred to Clear Achieve all shares of Kin Pang at a cash consideration of MOP250,000. Upon the completion of this transaction, Kin Pang became a wholly-owned subsidiary of Clear Achieve.
- (iii) Quasar Global Selection SPC Fund – Shenzhen Qianhai Glory Fund ("Pre-IPO Investor"), an independent third party and a segregated portfolio company incorporated in the Cayman Islands, entered into a subscription agreement with Clear Achieve, Mr. Kong and Ms. Choi for the subscription of 20 shares of Clear Achieve for a cash consideration of HK\$13,000,000 on 19 May 2017. The subscription is completed on 1 June 2017.

- (iv) On 22 June 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each with one share allotted and issued as nil-paid to the initial subscriber. On the same date, the initial subscriber transferred his one share to Fortunate Year Investments Limited (“Fortunate Year”), a company incorporated in the BVI with limited liability and owned as to 60% by Mr. Kong and 40% by Ms. Choi.
- (v) On 26 June 2017, Mr. Kong and Ms. Choi transferred the entire issued share capital of Greatway to Clear Achieve at a cash consideration of HK\$2. Upon the completion of this transaction, Greatway became a wholly-owned subsidiary of Clear Achieve.
- (vi) On 14 July 2017, Mr. Kong, Ms. Choi and Pre-IPO Investor transferred their entire equity interest in Clear Achieve to the Company in consideration of the allotment and issue of 89 shares of the Company to Fortunate Year (under the instruction of Mr. Kong and Ms. Choi) and 10 shares of the Company to Pre-IPO Investor. Upon completion of the transaction, Clear Achieve is the wholly-owned subsidiary of the Company.

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 14 July 2017. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity, accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Historical Financial Information has been prepared under the principles of merger accounting in accordance with AG5 issued by HKICPA. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined 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 combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 May 2017 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, where applicable.

## 2. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2017 throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs and interpretations ("new and revised HKFRSs") which are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
HK(IFRIC) – Interpretation 22	Foreign currency transactions and advance consideration <sup>1</sup>
HK(IFRIC) – Interpretation 23	Uncertainty over income tax treatments <sup>3</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>2</sup>
Amendments to HKAS 40	Transfer of investment property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle except for amendments to HKFRS 12 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

### HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are related to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under Hong Kong Accounting Standard ("HKAS") 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting

date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The management of the Group has reviewed the Group's financial assets as at 31 May 2017 and anticipates that the application of the expected credit loss model of HKFRS 9 in the future will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

The above assessments were made based on an analysis of the Group's financial assets as at 31 May 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

#### **HKFRS 15 “Revenue from contracts with customers”**

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- 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



Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Group anticipates that the application of HKFRS 15 will not have a material impact on the amounts reported and disclosures made in the Group's financial statements in the future based on the existing business model of the Group as at 31 May 2017.

#### **HKFRS 16 "Leases"**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 May 2017, the Group has non-cancellable operating lease commitments of MOP2,928,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

Except as disclosed above, the management of the Group anticipates that the application of other new and revised HKFRSs will have no material impact on the Group's future financial statements.

### 3. 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 the 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. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

**Basis of combination**

The Historical Financial Information incorporates the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination 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/period are included in the combined 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 intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

**Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under control of the controlling entity.

The net assets of the combining businesses are combined using the existing carrying values from the controlling party's prospective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

#### **Investments in associate**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these combined financial statements using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associate are initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, the difference between the previous carrying amount of the associate and its fair value of any proceeds from disposals is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

#### **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business and net of discount.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from construction contracts is based on the stage of completion at the end of each reporting period. The Group's policy for recognition of revenue from construction is described in accounting policy for construction contracts below.

Service income is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that work performed with reference to surveys of work performed to date, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Impairment loss on assets other than financial assets**

At the end of the each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as gain immediately.

#### **Financial instruments**

Financial assets and financial liabilities are recognised on the combined statements of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

*Financial assets*

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

*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, amounts due from related parties, loan to an associate, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

*Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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 loans and receivables, the estimated future cash flows of the loans and receivables have been affected.



Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, 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 asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities at amortised cost*

The Group's financial liabilities including trade and other payables and accruals, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an 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 benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

**Taxation**

Taxation represents the sum of the income tax expense 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 combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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.

**Construction contracts**

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management of the Group on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

**5. REVENUE AND SEGMENT INFORMATION**

Revenue represents the net amounts received and receivable for building and ancillary services and emergency repair services rendered by the Group to customers.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management of the Group, in order for the CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

- (a) Building and ancillary services; and
- (b) Emergency repair services.

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

## Segment revenue and profit

*Year ended 31 December 2014*

	<b>Building and ancillary services <i>MOP'000</i></b>	<b>Emergency repair services <i>MOP'000</i></b>	<b>Total <i>MOP'000</i></b>
Segment revenue	<u>198,218</u>	<u>8,727</u>	<u>206,945</u>
Segment results	<u>20,175</u>	<u>572</u>	20,747
Other income			154
Administrative expenses			(2,549)
Finance costs			<u>(316)</u>
Profit before taxation			<u>18,036</u>

*Year ended 31 December 2015*

	<b>Building and ancillary services <i>MOP'000</i></b>	<b>Emergency repair services <i>MOP'000</i></b>	<b>Total <i>MOP'000</i></b>
Segment revenue	<u>165,301</u>	<u>8,408</u>	<u>173,709</u>
Segment results	<u>26,065</u>	<u>1,991</u>	28,056
Other income			207
Administrative expenses			(4,809)
Finance costs			<u>(326)</u>
Profit before taxation			<u>23,128</u>

*Year ended 31 December 2016*

	<b>Building and ancillary services <i>MOP'000</i></b>	<b>Emergency repair services <i>MOP'000</i></b>	<b>Total <i>MOP'000</i></b>
Segment revenue	<u>163,003</u>	<u>13,036</u>	<u>176,039</u>
Segment results	<u>29,758</u>	<u>4,352</u>	34,110
Other income			183
Administrative expenses			(5,867)
Finance costs			<u>(199)</u>
Profit before taxation			<u>28,227</u>

*Five months ended 31 May 2016 (unaudited)*

	<b>Building and ancillary services <i>MOP'000</i></b>	<b>Emergency repair services <i>MOP'000</i></b>	<b>Total <i>MOP'000</i></b>
Segment revenue	<u>72,551</u>	<u>4,742</u>	<u>77,293</u>
Segment results	<u>9,592</u>	<u>1,408</u>	11,000
Other income			106
Administrative expenses			(2,430)
Finance costs			<u>(95)</u>
Profit before taxation			<u>8,581</u>



*Five months ended 31 May 2017*

	<b>Building and ancillary services <i>MOP'000</i></b>	<b>Emergency repair services <i>MOP'000</i></b>	<b>Total <i>MOP'000</i></b>
Segment revenue	<u>74,010</u>	<u>3,291</u>	<u>77,301</u>
Segment results	<u>15,810</u>	<u>1,510</u>	17,320
Other income			50
Administrative expenses			(3,615)
Finance costs			(69)
Listing expenses			<u>(2,141)</u>
Profit before taxation			<u>11,545</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results mainly represented profit earned by each segment, excluding other income, administrative expenses, finance costs, listing expenses and taxation.

#### **Geographical information**

No geographical segment information is presented as the Group's revenue are all derived from Macau based on the location of the projects and all of the Group's non-current assets are located in Macau by physical location of assets.

**Information about major customers**

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000
				(unaudited)	
Customer A	186,858	90,735	60,955	60,955	N/A <sup>#</sup>
Customer B	N/A <sup>*</sup>	31,847	N/A <sup>*</sup>	N/A <sup>#</sup>	N/A <sup>*</sup>
Customer C	N/A <sup>#</sup>	N/A <sup>*</sup>	35,255	N/A <sup>#</sup>	30,410
Customer D	N/A <sup>#</sup>	N/A <sup>*</sup>	19,874	N/A <sup>*</sup>	18,547
Customer E	N/A <sup>#</sup>	N/A <sup>#</sup>	17,779	N/A <sup>#</sup>	13,079

\* Less than 10% of the Group's total revenue

# No revenue attributed from the relevant customer

**6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Directors' and chief executive's emoluments**

Mr. Kong and Ms. Choi were appointed as directors of the Company on 22 June 2017. The emoluments paid or payable to the directors and chief executive of the Company (including the emoluments for services as directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period as follows:

	Mr. Kong	Ms. Choi	Total
	MOP'000	MOP'000	MOP'000
	(Note)		
Year ended 31 December 2014			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	180	180	360
Retirement benefit scheme contributions	–	–	–
Total emoluments	180	180	360

	<b>Mr. Kong</b> <i>MOP'000</i> <i>(Note)</i>	<b>Ms. Choi</b> <i>MOP'000</i>	<b>Total</b> <i>MOP'000</i>
Year ended 31 December 2015			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	180	180	360
Retirement benefit scheme contributions	–	–	–
Total emoluments	<u>180</u>	<u>180</u>	<u>360</u>
	<b>Mr. Kong</b> <i>MOP'000</i> <i>(Note)</i>	<b>Ms. Choi</b> <i>MOP'000</i>	<b>Total</b> <i>MOP'000</i>
Year ended 31 December 2016			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	180	180	360
Retirement benefit scheme contributions	–	–	–
Total emoluments	<u>180</u>	<u>180</u>	<u>360</u>
	<b>Mr. Kong</b> <i>MOP'000</i> <i>(Note)</i>	<b>Ms. Choi</b> <i>MOP'000</i>	<b>Total</b> <i>MOP'000</i>
Five months ended 31 May 2016 (unaudited)			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	75	75	150
Retirement benefit scheme contributions	–	–	–
Total emoluments	<u>75</u>	<u>75</u>	<u>150</u>

	<b>Mr. Kong</b> <i>MOP'000</i> <i>(Note)</i>	<b>Ms. Choi</b> <i>MOP'000</i>	<b>Total</b> <i>MOP'000</i>
Five months ended 31 May 2017			
Fees	–	–	–
Other emoluments			
Salaries and other benefits	300	200	500
Retirement benefit scheme contributions	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Total emoluments	<u>          300</u>	<u>          200</u>	<u>          500</u>

*Note:* Mr. Kong acts as chief executive of the Group.

The directors' emoluments are for their services in connection to the management of the affairs of the Group.

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any remuneration during the Track Record Period.

**(b) Employees' emoluments**

The emoluments of the five highest paid individuals (not including Mr. Kong and Ms. Choi) for the years ended 31 December 2014, 2015 and 2016 and five months ended 31 May 2016 (unaudited) and 2017, respectively are as follows:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Salaries and other benefits	3,427	4,112	4,478	1,731	1,847
Bonus ( <i>note</i> )	563	916	870	–	–
Retirement benefit scheme contributions	8	8	10	4	4
	3,998	5,036	5,358	1,735	1,851

*Note:* The discretionary bonus is determined by reference to their duties and responsibilities within the Group and the Group's performance.

Their emoluments are within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2014	2015	2016	2016	2017
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
				(unaudited)	
Nil to HK\$1,000,000	4	3	3	5	5
HK\$1,000,001 to HK\$1,500,000	1	2	1	–	–
HK\$1,500,001 to HK\$2,000,000	–	–	1	–	–

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 7. OTHER INCOME

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000
				(unaudited)	
Interest income from an associate	90	105	–	–	–
Other income	<u>64</u>	<u>102</u>	<u>183</u>	<u>106</u>	<u>50</u>
	<u>154</u>	<u>207</u>	<u>183</u>	<u>106</u>	<u>50</u>

## 8. FINANCE COSTS

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000
				(unaudited)	
Interests on bank borrowings	<u>316</u>	<u>326</u>	<u>199</u>	<u>95</u>	<u>69</u>

## 9. PROFIT BEFORE TAXATION

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000
				(unaudited)	
Profit before taxation has been arrived at after charging:					
Auditor's remuneration	60	68	78	33	30
Depreciation on property, plant and equipment	844	1,703	2,400	905	1,139
Staff costs (including directors' emoluments):					
Salaries and other benefits	25,374	26,669	24,092	7,614	13,533
Retirement benefits scheme contributions	80	98	99	24	54
	25,454	26,767	24,191	7,638	13,587
Less: staff costs capitalised to direct costs	(24,439)	(25,414)	(22,190)	(7,006)	(12,031)
	1,015	1,353	2,001	632	1,556
Minimum lease payments under operating leases in respect of					
– land and building (included in administrative expenses)	387	929	1,191	541	769
– site equipment (included in direct costs)	12,540	5,500	844	16	555
	<u>12,927</u>	<u>6,429</u>	<u>2,035</u>	<u>557</u>	<u>1,324</u>

## 10. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000
				(unaudited)	
Macau Complementary Tax:					
Current tax	<u>1,913</u>	<u>2,104</u>	<u>2,248</u>	<u>958</u>	<u>1,601</u>

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation as follows:

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				MOP'000	MOP'000
				(unaudited)	
Profit before taxation	<u>18,036</u>	<u>23,128</u>	<u>28,227</u>	<u>8,581</u>	<u>11,545</u>
Tax at the domestic					
income tax rate of 12%	2,164	2,775	3,387	1,030	1,385
Tax deduction for dividend					
declared	(180)	(600)	(1,068)	-	-
Tax effect of expense not					
deductible for tax purpose	-	-	-	-	257
Tax effect of tax					
exemption under Macau					
Complementary Tax	(72)	(72)	(72)	(30)	(30)
Others	<u>1</u>	<u>1</u>	<u>1</u>	<u>(42)</u>	<u>(11)</u>
Income tax expense	<u>1,913</u>	<u>2,104</u>	<u>2,248</u>	<u>958</u>	<u>1,601</u>



**11. DIVIDENDS**

During the years ended 31 December 2014, 2015 and 2016, Kin Pang declared and paid dividends of MOP1,500,000, MOP5,000,000 and MOP8,900,000, respectively, to the then shareholders.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

Other than as disclosed above, no dividend was paid or declared by the companies comprising the Group during the Track Record Period.

**12. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the reorganisation of the Group and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in note 1.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>MOP'000</i>	Motor vehicles <i>MOP'000</i>	Plant and machinery <i>MOP'000</i>	Office equipment <i>MOP'000</i>	Total <i>MOP'000</i>
<b>COST</b>					
At 1 January 2014	25	397	2,993	83	3,498
Additions	<u>5</u>	<u>–</u>	<u>2,641</u>	<u>5</u>	<u>2,651</u>
At 31 December 2014	30	397	5,634	88	6,149
Additions	<u>21</u>	<u>2,113</u>	<u>4,567</u>	<u>116</u>	<u>6,817</u>
At 31 December 2015	51	2,510	10,201	204	12,966
Additions	<u>4</u>	<u>802</u>	<u>2,167</u>	<u>37</u>	<u>3,010</u>
At 31 December 2016	55	3,312	12,368	241	15,976
Additions	<u>9</u>	<u>496</u>	<u>–</u>	<u>7</u>	<u>512</u>
At 31 May 2017	<u>64</u>	<u>3,808</u>	<u>12,368</u>	<u>248</u>	<u>16,488</u>
<b>DEPRECIATION</b>					
At 1 January 2014	8	60	509	17	594
Provided for the year	<u>8</u>	<u>79</u>	<u>734</u>	<u>23</u>	<u>844</u>
At 31 December 2014	16	139	1,243	40	1,438
Provided for the year	<u>11</u>	<u>327</u>	<u>1,333</u>	<u>32</u>	<u>1,703</u>
At 31 December 2015	27	466	2,576	72	3,141
Provided for the year	<u>5</u>	<u>534</u>	<u>1,813</u>	<u>48</u>	<u>2,400</u>
At 31 December 2016	32	1,000	4,389	120	5,541
Provided for the period	<u>3</u>	<u>287</u>	<u>829</u>	<u>20</u>	<u>1,139</u>
At 31 May 2017	<u>35</u>	<u>1,287</u>	<u>5,218</u>	<u>140</u>	<u>6,680</u>
<b>CARRYING AMOUNTS</b>					
At 31 December 2014	<u>14</u>	<u>258</u>	<u>4,391</u>	<u>48</u>	<u>4,711</u>
At 31 December 2015	<u>24</u>	<u>2,044</u>	<u>7,625</u>	<u>132</u>	<u>9,825</u>
At 31 December 2016	<u>23</u>	<u>2,312</u>	<u>7,979</u>	<u>121</u>	<u>10,435</u>
At 31 May 2017	<u>29</u>	<u>2,521</u>	<u>7,150</u>	<u>108</u>	<u>9,808</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	20%
Motor vehicles	25%
Plant and machinery	15%-20%
Office equipment	20%

#### 14. INTERESTS IN AN ASSOCIATE

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Cost of unlisted investment in an associate	15	15	15	15
Share of post-acquisition results and other comprehensive expense	(15)	(15)	(15)	(15)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Details of the interests in an associate are as follows:

Name of associate	Place and date of incorporation	Place of operation	Issued and fully paid share capital	Attributable equity interest of the Group as at					date of this report	Principal activities
				31 December 2014	31 December 2015	2016	31 May 2017	2017		
Hang Kin Engineering Co., Ltd. ("Hang Kin")	Macau 15 November 2011	Macau	MOP30,000 Ordinary shares	50%	50%	50%	50%	–*	Leasing of construction machinery	

\* On 5 July 2017, the Group disposed its entire interests of Hang Kin to Kin Hang Machinery Equipment Company Limited ("Kin Hang"), which is a limited entity incorporated in Macau that is 80% owned by Ms. Choi and 20% owned by Ms. Kong Pou Ian, the daughter of Mr. Kong and Ms. Choi, at a cash consideration of MOP15,000. Upon the disposal, Hang Kin is no longer an associate of the Group.

In accordance with the article of association of Hang Kin, the Group can appoint one director while the another shareholder, Hang Tung Foundation Engineering Company Limited, which is incorporated in Macau and owned by an independent third party, can appoint two directors to Hang Kin. The Group exercises significant influence over Hang Kin and treats such as an associate accordingly.

The summarised financial information in respect of Hang Kin is set out below:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Non-current assets	8,053	6,516	4,980	4,980
Current assets	2,635	2,973	2,018	1,995
Current liabilities	(9,723)	(9,260)	(8,224)	(8,478)
Non-current liabilities	<u>(1,308)</u>	<u>(867)</u>	<u>(339)</u>	<u>(63)</u>
Net liabilities	<u><u>(343)</u></u>	<u><u>(638)</u></u>	<u><u>(1,565)</u></u>	<u><u>(1,566)</u></u>

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Revenue	2,182	1,577	871	360	–
Profit (loss) and total comprehensive income (expense) for the year/period	<u>210</u>	<u>(295)</u>	<u>(927)</u>	<u>(6)</u>	<u>(1)</u>
The unrecognised share of loss of an associate for year/period	<u>N/A</u>	<u>(148)</u>	<u>(464)</u>	<u>(3)</u>	<u>–</u>

(unaudited)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Historical Financial Information:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Net liabilities of Hang Kin	(343)	(638)	(1,565)	(1,566)
Proportion of the Group's ownership	50%	50%	50%	50%
Carrying amount	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cumulative share of loss of an associate	<u>(172)</u>	<u>(320)</u>	<u>(784)</u>	<u>(784)</u>

**15. TRADE RECEIVABLES**

The Group grants credit terms of 30-60 days to its customers from the date of invoices on progress payments of contract works. An ageing analysis of the trade receivables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
0 – 30 days	3,982	17,977	28,387	9,240
31 – 60 days	560	250	3,491	–
61 – 90 days	387	10,033	3,948	12,616
91 – 365 days	69	988	1,452	19,351
Over 365 days	<u>19</u>	<u>281</u>	<u>65</u>	<u>186</u>
	<u>5,017</u>	<u>29,529</u>	<u>37,343</u>	<u>41,393</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 79.4%, 61.8%, 76.0% and 22.3% of trade receivables as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately MOP1,035,000, MOP11,271,000, MOP8,956,000 and MOP32,153,000 which are past due at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

**Ageing analysis of trade receivables which are past due but not impaired**

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
31 – 60 days	560	250	3,491	–
61 – 90 days	387	10,033	3,948	12,616
91 – 180 days	32	738	1,322	18,436
Over 180 days	<u>56</u>	<u>250</u>	<u>195</u>	<u>1,101</u>
	<u>1,035</u>	<u>11,271</u>	<u>8,956</u>	<u>32,153</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and the management of the Group believes that no impairment required.

## 16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Retention receivables	11,637	11,896	20,623	24,003
Deposits paid for acquisition of property, plant and equipment	1,740	–	124	–
Other deposits	520	1,007	3,681	1,550
Prepayments and others	1,370	1,049	1,464	1,416
Deferred listing expenses	–	–	–	714
<b>Total</b>	<b>15,267</b>	<b>13,952</b>	<b>25,892</b>	<b>27,683</b>
Analysed for reporting purposes as:				
Non-current assets	1,895	155	494	371
Current assets	13,372	13,797	25,398	27,312
	<b>15,267</b>	<b>13,952</b>	<b>25,892</b>	<b>27,683</b>

Retention receivables are unsecured and interest-free and represented the monies withheld by customers of contract works recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective building and ancillary projects.

The retention receivables are to be settled, based on the completion of defect liability period, at the end of each reporting period as follows:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
On demand or within one year	1,386	949	13,374	13,762
After one year	10,251	10,947	7,249	10,241
	<b>11,637</b>	<b>11,896</b>	<b>20,623</b>	<b>24,003</b>

## 17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised loss	406,342	536,955	109,304	163,643
Less: Progress billings	<u>(352,034)</u>	<u>(463,957)</u>	<u>(59,503)</u>	<u>(107,973)</u>
Total	<u>54,308</u>	<u>72,998</u>	<u>49,801</u>	<u>55,670</u>
Analysed as:				
Amounts due from customers for contract work	54,504	75,640	59,677	61,974
Amounts due to customers for contract work	<u>(196)</u>	<u>(2,642)</u>	<u>(9,876)</u>	<u>(6,304)</u>
	<u>54,308</u>	<u>72,998</u>	<u>49,801</u>	<u>55,670</u>

## 18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank balances represent balances pledged to a bank to secure the banking facilities (including the bank borrowings and performance guarantee) granted to the Group, and carry interest at prevailing market rate of 0.01% per annum.

As at 31 December 2014, 2015 and 2016 and 31 May 2017, bank balances and cash comprise of cash held and short-term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate of 0.01% per annum.



## 19. TRADE AND OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Trade payables	17,543	39,551	31,185	27,665
Salaries payable	3,817	4,104	4,709	2,934
Retention payables	8,430	9,323	9,668	11,158
Accruals and other payables	<u>3,184</u>	<u>2,668</u>	<u>9,153</u>	<u>3,312</u>
	<u>32,974</u>	<u>55,646</u>	<u>54,715</u>	<u>45,069</u>

The credit period grants to the Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables based on the invoice date at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
0 – 30 days	9,165	11,052	6,260	18,755
31 – 60 days	3,155	6,613	11,639	2,032
61 – 90 days	1,236	6,436	667	273
91 – 180 days	2,109	6,498	1,194	549
181 – 365 days	1,469	7,152	6,482	1,048
Over 365 days	<u>409</u>	<u>1,800</u>	<u>4,943</u>	<u>5,008</u>
	<u>17,543</u>	<u>39,551</u>	<u>31,185</u>	<u>27,665</u>

Retention payables to subcontractors are interest-free and payable at the end of the defect liability period of individual contracts (i.e. one year after completion of respective contract). All retention payables are expected to be settled within one year based on the expiry date of the defect liability period.

## 20. AMOUNTS DUE FROM/TO RELATED PARTIES/LOAN TO AN ASSOCIATE

**Amounts due from related parties**

The amounts are non-trade, unsecured, interest-free and repayable on demand.

Details of amounts due from related parties are stated as follows:

	As at		As at			Maximum amount outstanding during			the five
	1 January	As at 31 December		31 May	the year ended 31 December			months	
	2014	2014	2015	2016	2017	2014	2015	2016	ended
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	31 May
									2017
									MOP'000
Mr. Kong	2,816	2,603	50	–	–	2,816	2,603	3,715	–
Hang Kin	281	2,041	2,295	2,014	2,014	2,041	2,295	2,295	2,014
	<u>3,097</u>	<u>4,644</u>	<u>2,345</u>	<u>2,014</u>	<u>2,014</u>	<u>2,041</u>	<u>2,295</u>	<u>2,295</u>	<u>2,014</u>

**Loan to an associate**

In prior years, Kin Pang disposed an equipment to Hang Kin at a consideration of MOP3,600,000. Kin Pang also agreed Hang Kin to repay the consideration by instalment until June 2016 with 6.25% per annum. The loan is settled subsequent to 31 May 2017. The exposure of the Group's fixed-rate loan to an associate and the contractual maturity dates are as follows:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	1,444	583	583	583
Within a period of more than one year but not more than two years	<u>393</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,837</u>	<u>583</u>	<u>583</u>	<u>583</u>

## Amounts due to related parties

Details of amounts due to related parties are stated as follows:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Mr. Kong	23	29	6,220	5,067
Ms. Choi	51	159	3,567	3,560
Kin Hang	-	3,500	-	-
Kin Yu Construction and Real Estate Company Limited ("Kin Yu") (note a)	3,500	-	-	-
Construtor Civil Kong Kin I (note b)	-	-	273	273
Construcao Kin Pang (note c)	1,160	-	-	426
Fung Ching Construction Company Limited ("Fung Ching") (note d)	630	-	-	-
Ka Chun Engineering Company Limited ("Ka Chun") (note e)	415	-	-	-
Wui Si Construction Design Company Limited ("Wui Si") (note f)	498	-	-	-
	<u>6,277</u>	<u>3,688</u>	<u>10,060</u>	<u>9,326</u>

## Notes:

- (a) Kin Yu is a limited entity incorporated in Macau that is 50% owned by Mr. Kong and 50% owned by Ms. Kong Pou Ian.
- (b) Construtor Civil Kong Kin I is a sole proprietorship registered in Macau that is wholly-owned by Mr. Kong.
- (c) Construcao Kin Pang is a sole proprietorship registered in Macau that is wholly-owned by Mr. Kong. Construcao Kin Pang has cancelled registration on 1 June 2017.
- (d) Fung Ching is a limited entity incorporated in Macau that is 90% owned by Ms. Choi and 10% owned by Mr. Kong Chan U, the son of Mr. Kong and Ms. Choi. Fung Ching was voluntarily deregistered on 5 January 2017.
- (e) Ka Chun is a limited entity incorporated in Macau that is 90% owned by Ms. Choi and 10% owned by Ms. Kong Ka Wan, the daughter of Mr. Kong and Ms. Choi. Ka Chun was voluntarily deregistered on 4 January 2017.
- (f) Wui Si is a limited entity incorporated in Macau that is 80% owned by Ms. Choi, 10% owned by Ms. Kong Pou Ian and 10% owned by Ms. Kong Ka Wan. Wui Si was voluntarily deregistered on 31 May 2017.

Amounts due to related parties of MOP6,203,000 and MOP3,500,000 are trade in nature as at 31 December 2014 and 2015, respectively. The credit period granting to the Group by these related parties is 60 days. The following is an ageing analysis of trade nature amounts due to related parties based on the invoice date at the end of each reporting period:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
0 to 30 days	1,629	-	-	-
31 - 60 days	571	-	-	-
61 - 90 days	105	-	-	-
91 - 365 days	3,898	3,500	-	-
Over 365 days	-	-	-	-
	<u>6,203</u>	<u>3,500</u>	<u>-</u>	<u>-</u>

The remaining amounts due to related parties are non-trade in nature, unsecured, interest-free and repayment on demand.

As represented by the management of the Group, the amounts due to related parties will be settled upon the Listing.

## 21. BANK BORROWINGS

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Carrying amount repayable based on scheduled repayment terms:				
- Within one year	1,546	1,725	1,106	1,037
- More than one year but not exceeding two years	1,122	1,106	1,070	1,036
- More than two years but not exceeding five years	1,255	2,134	1,503	1,287
- More than five years	<u>1,840</u>	<u>1,418</u>	<u>979</u>	<u>790</u>
	5,763	6,383	4,658	4,150
Less: Amounts due within one year under current liabilities	<u>(1,546)</u>	<u>(1,725)</u>	<u>(1,106)</u>	<u>(1,037)</u>
Amounts shown under non-current liabilities	<u>4,217</u>	<u>4,658</u>	<u>3,552</u>	<u>3,113</u>

The bank borrowings are at floating rate which carry interest at MOP best lending rate plus/minus a spread. The effective interest rate on the Group's bank borrowings was 4.97%, 5.20%, 4.96% and 6.25% per annum as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively.

The bank borrowings and other bank facilities including performance guarantee are secured by:

- (i) the pledged bank balances of MOP300,000, MOP200,000, MOP200,000 and MOP200,000 as at 31 December 2014, 2015 and 2016 and 31 May 2017, respectively.
- (ii) property owned by Mr. Kong and Ms. Choi; and
- (iii) unlimited personal guarantee by Mr. Kong.

As represented by the directors of the Company, the pledge of properties by Mr. Kong and Ms. Choi and personal guarantee by Mr. Kong will be released upon the Listing.

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 combined statements of cash flows as cash flows from financing activities.

	<b>Dividends payable</b>	<b>Amounts due to related parties</b>	<b>Bank borrowings</b>	<b>Total</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
At 1 January 2014	–	4	3,176	3,180
Financing cash flows ( <i>note</i> )	(1,500)	70	2,271	841
Dividends declared ( <i>note 11</i> )	1,500	–	–	1,500
Finance costs recognised	–	–	316	316
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	–	74	5,763	5,837
Financing cash flows ( <i>note</i> )	(5,000)	114	294	(4,592)
Dividends declared ( <i>note 11</i> )	5,000	–	–	5,000
Finance costs recognised	–	–	326	326
	<hr/>	<hr/>	<hr/>	<hr/>

	<b>Dividends payable</b>	<b>Amounts due to related parties</b>	<b>Bank borrowings</b>	<b>Total</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
At 31 December 2015	–	188	6,383	6,571
Financing cash flows ( <i>note</i> )	–	972	(1,924)	(952)
Dividends declared ( <i>note 11</i> )	8,900	–	–	8,900
Settlement of dividend payable through amounts due to related parties	(8,900)	8,900	–	–
Finance costs recognised ( <i>note</i> )	–	–	199	199
At 31 December 2016	–	10,060	4,658	14,718
Financing cash flows ( <i>note</i> )	–	(734)	(577)	(1,311)
Finance costs recognised	–	–	69	69
At 31 May 2017	–	9,326	4,150	13,476
At 1 January 2016	–	188	6,383	6,571
Financing cash flows ( <i>note</i> ) (unaudited)	–	220	(1,014)	(794)
Finance costs recognised (unaudited)	–	–	95	95
At 31 May 2016 (unaudited)	–	408	5,464	5,872

*Note:* The financing cash flows represented the net amount of proceeds from bank borrowings, dividends paid, advance from related parties, payment of finance costs and repayments to bank borrowings and related parties.

## 22. SHARE CAPITAL

The share capital as at 1 January 2014, 31 December 2014, 2015 and 2016 represented the combined share capital of Kin Pang and Greatway.

The share capital as at 31 May 2017 represented the combined share capital of Clear Achieve and Greatway.

**23. OPERATING LEASE COMMITMENTS**

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third parties, which fall due as follows:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	927	77	1,205	1,877
In the second to fifth year inclusive	<u>77</u>	<u>-</u>	<u>1,205</u>	<u>1,051</u>
	<u>1,004</u>	<u>77</u>	<u>2,410</u>	<u>2,928</u>

The above operating lease payments represent rental payable by the Group for office premises for the Track Record Period.

Leases and rentals are negotiated and fixed for term of one year to three years.

**24. RETIREMENT BENEFITS SCHEMES**

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The Group operates the MPF Scheme for all qualifying employee(s) in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,250 per month (increased to HK\$1,500 per month effective from 1 June 2014) or 5% of the relevant payroll costs to the MPF Scheme.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

## 25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes amounts due to related parties and bank borrowings as disclosed in respective notes, and equity of the Group, comprising issued share capital, legal reserve, other reserves and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

## 26. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>41,963</u>	<u>58,435</u>	<u>101,563</u>	<u>110,597</u>
Financial liabilities				
Amortised cost	<u>41,197</u>	<u>61,613</u>	<u>64,724</u>	<u>55,611</u>

### Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, loan to an associate, pledged bank deposits, bank balances and cash, trade and other payables and accruals, amounts due from/to related parties and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



***Currency risk***

The group entities collect most of the revenue and incur most of the expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through sales proceeds received from customers that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK\$.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's HK\$ denominated monetary assets at the end of each reporting period are as follows:

	As at 31 December			As at
	2014	2015	2016	31 May 2017
	MOP'000	MOP'000	MOP'000	MOP'000
Monetary assets	<u>53</u>	<u>3,358</u>	<u>893</u>	<u>539</u>

***Sensitivity analysis***

As the exchange rate of HK\$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK\$/MOP exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK\$/MOP is minimal.

***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan to an associate (see note 20). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances (see note 18) and bank borrowings (see note 21). The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arises.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and MOP best lending rate arising from the Group's variable-rate bank borrowings.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year/period and 50 basis points increase or decrease are used. The pledged bank deposits and bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's profit for the year/period ended 31 December 2014, 2015 and 2016 and 31 May 2017 would decrease/increase by MOP25,000, MOP28,000, MOP20,000 and MOP8,000, respectively.

***Credit risk***

The Group's credit risk is primarily attributable to trade receivables, retention receivables, loan to an associate and amounts due from related parties and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position at the end of each reporting period.

Management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation of the customers or the ultimate customers if those contracts allow the Group to obtain payment directly from the ultimate customers under certain circumstance, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. The top three debtors amounting to MOP2,601,000, MOP25,513,000, MOP27,707,000 and MOP34,432,000, respectively, comprised approximately 49%, 86%, 74% and 83% of the Group's trade receivables as at 31 December 2014, 2015 and 2016 and 31 May 2017. Management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits and bank balances is considered not material as such amounts are placed in banks with good reputations.

The Group has concentration of credit risk on amounts due from related parties and loan to an associate as at 31 December 2014, 2015 and 2016 and 31 May 2017. Details are disclosed in note 20. The management of the Group considers the counterparties with good credit worthiness based on its past repayment history and subsequent settlement.

### **Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand or within 3 months MOP'000	4 – 12 months MOP'000	1 year to 2 years MOP'000	2 years to 5 years MOP'000	Over 5 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
As at 31 December 2014								
<b>Non-derivative financial liabilities</b>								
Trade and other payables and accruals	-	20,727	8,430	-	-	-	29,157	29,157
Amounts due to related parties	-	6,277	-	-	-	-	6,277	6,277
Bank borrowings	4.97	448	1,344	1,282	1,709	2,008	6,791	5,763
		27,452	9,774	1,282	1,709	2,008	42,225	41,197
As at 31 December 2015								
<b>Non-derivative financial liabilities</b>								
Trade and other payables and accruals	-	42,219	9,323	-	-	-	51,542	51,542
Amounts due to related parties	-	3,688	-	-	-	-	3,688	3,688
Bank borrowings	5.20	628	1,375	1,446	2,437	1,516	7,402	6,383
		46,535	10,698	1,446	2,437	1,516	62,632	61,613

	Weighted average effective interest rate %	On demand or within 3 months MOP'000	4 – 12 months MOP'000	1 year to 2 years MOP'000	2 years to 5 years MOP'000	Over 5 years MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
As at 31 December 2016								
<b>Non-derivative financial liabilities</b>								
Trade and other payables and								
accruals	-	40,338	9,668	-	-	-	50,006	50,006
Amount due to related parties	-	10,060	-	-	-	-	10,060	10,060
Bank borrowings	4.96	373	1,073	1,212	1,716	1,024	5,398	4,658
		<u>50,771</u>	<u>10,741</u>	<u>1,212</u>	<u>1,716</u>	<u>1,024</u>	<u>65,464</u>	<u>64,724</u>
As at 31 May 2017								
<b>Non-derivative financial liabilities</b>								
Trade and other payables and								
accruals	-	33,705	8,430	-	-	-	42,135	42,135
Amount due to related parties	-	9,326	-	-	-	-	9,326	9,326
Bank borrowings	6.25	303	910	1,153	1,475	819	4,660	4,150
		<u>43,334</u>	<u>9,340</u>	<u>1,153</u>	<u>1,475</u>	<u>819</u>	<u>56,121</u>	<u>55,611</u>

### Fair value

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

## 27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	Year ended 31 December			Five months ended	
	2014	2015	2016	2016	2017
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
				(unaudited)	
Subcontracting expense to:					
Kin Hang	–	5,150	–	–	–
Kin Yu	3,185	4,015	–	–	–
Constructor Civil Kong Kin I	350	1,650	–	–	–
Construcao Kin Pang	1,160	768	–	–	–
Rental expenses of site equipment to:					
Kin Hang	6,750	811	–	–	–
Kin Yu	2,933	1,809	–	–	–
Fung Ching	630	1,190	–	–	–
Ka Chun	730	1,060	–	–	–
Wui Si	498	288	–	–	–
Interest income from Hang Kin	90	105	–	–	–
Rental expense of office to Mr. Kong and Ms. Choi ( <i>note</i> )	–	–	–	–	249

*Note:* During the year ended 31 December 2014, 2015 and 2016, the Group has used the premise owned by Mr. Kong and Ms. Choi as office with nil consideration.

Details of the balances with related parties at the end of each reporting periods are disclosed in the combined statements of financial position and note 20 to the Historical Financial Information, respectively.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the years ended 31 December 2014, 2015 and 2016 and five months ended 31 May 2016 (unaudited) and 2017 were as follows:

	Year ended 31 December			Five months ended	
	2014	2015	2016	31 May	
	MOP'000	MOP'000	MOP'000	2016	2017
				(unaudited)	
Short-term benefits	360	360	360	150	500
Post-employment benefits	—	—	—	—	—
	<u>360</u>	<u>360</u>	<u>360</u>	<u>150</u>	<u>500</u>

**28. CONTINGENT LIABILITIES**

As at 31 December 2014, 2015 and 2016 and 31 May 2017, performance guarantee of approximately MOP25,928,000, MOP28,596,000, MOP37,982,000 and MOP36,900,000 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 their customers. The Group has contingent liabilities to indemnify the bank for any claims from customers under the guarantee due to the failure of the Group's performance. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 21. At the end of each reporting period, the management of the Group does not consider it is probable that a claim will be made against the Group.

## 29. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at				date of this report	Principal activities
				31 December		31 May			
				2014	2015	2016	2017		
Clear Achieve	BVI 1 March 2017	Hong Kong/ BVI	US\$1	-	-	-	100%	100%	Investment holdings (note a)
Kin Pang	Macau 28 June 2006	Macau	MOP250,000	100%	100%	100%	100%	100%	Civil engineering business in Macau (note a)
Greatway	Hong Kong 15 October 2009	Hong Kong	HK\$2	100%	100%	100%	100%	100%	Administrative support for the Group (note b)

Except for Greatway which adopted 31 March as its financial year end date, all other companies comprising the Group have adopted 31 December as their financial year end date.

Notes:

- (a) No statutory audited financial statements have been prepared since its date of incorporation as they are incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of Greatway for each of the three years ended 31 March 2017, which were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard issued by HKICPA, were audited by Dominic Lam & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong.

## 30. CAPITAL COMMITMENTS

	As at 31 December			As at
	2014	2015	2016	31 May
	MOP'000	MOP'000	MOP'000	2017
				MOP'000
Capital expenditure contracted but not provided in the Historical Financial Information				
– acquisition of property, plant and equipment	413	–	372	–

**31. MAJOR NON-CASH TRANSACTIONS**

During the year ended 31 December 2015 and five months ended 31 May 2017, the Group utilised approximately MOP1,740,000 and MOP124,000 of deposits paid for acquisition of property, plant and equipment, respectively.

During the year ended 31 December 2016, the dividends of MOP8,900,000 paid by Kin Pang are settled with the then shareholders' current account.

**32. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 24 November 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of our Shareholders passed on 24 November 2017" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$100,000,000 by the creation of an additional 9,962,000,000 shares of the Company;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$7,999,999 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 799,999,900 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 24 November 2017.

**33. 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 May 2017.



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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 December 2016 and the five months ended 31 May 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in connection with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

### A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group as if the Share Offer had taken place on 31 May 2017.

The statement of unaudited pro forma adjusted combined 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 combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2017 or at any future date.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2017 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	<b>Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2017 MOP'000 (Note 1)</b>	<b>Estimated net proceeds from the Share Offer MOP'000 (Note 2)</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2017 MOP'000</b>	<b>Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2017 per Share MOP (Note 3)</b>
Based on Offer Price of HK\$0.60 per Offer Share	97,664	99,665	197,329	0.21
Based on Offer Price of HK\$0.40 per Offer Share	97,664	59,907	157,571	0.17

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 May 2017 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the Offer Price of HK\$0.4 per Share and HK\$0.6 per Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by our Group (excluding listing expenses which have been charged to profit or loss up to 31 May 2017). It does not take into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under Share Option Scheme or any Shares which may be issued or repurchased pursuant to the general mandate. For the purpose of calculating the estimated net proceeds from the Share Offer, the translation of HK\$ into MOP was made at the rate of HK\$1.00 to MOP1.03.
- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of the Company as at 31 May 2017 per Share is calculate based on 920,000,000 Shares in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 May 2017 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company's general mandates.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 May 2017.

**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 UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Kin Pang Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kin Pang Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets as at 31 May 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 November 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on The Stock Exchange of Hong Kong Limited (the "Share Offer") on the Group's financial position as at 31 May 2017 as if the Share Offer had taken place at 31 May 2017. 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 2016 and the five months ended 31 May 2017, 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 of 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.

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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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 May 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**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  
30 November 2017

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 June, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
  
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

**2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 24 November 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

**(a) Shares**

**(i) Classes of shares**

The share capital of the Company consists of ordinary shares.

**(ii) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general

meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and



which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
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respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
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Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

***(iv) Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

***(v) Remuneration***

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may

determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.



**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

**(ii) *Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall

have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

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In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an

adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock

Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of

shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by

the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest

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any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d)



writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 7 July, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order

regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(q) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 22 June 2017. Our Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Office No. 5, 20/F, Nam Wo Hong Building, 148 Wing Lok Street, Hong Kong and has been registered with the Companies Registry as a non-Hong Kong company on 31 July 2017 under Part 16 of the Companies Ordinance, with Mr. Fan Cheuk Lun appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands, Companies Law and its constitution, which comprises its Memorandum and Articles. A summary of various provisions of the Memorandum and Articles and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company**

- (a) Our Company was incorporated in the Cayman Islands on 22 June 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. As at the date of incorporation, one nil paid subscriber Share was allotted and issued to the subscriber, and was subsequently transferred to Fortunate Year.
- (b) On 14 July 2017, our Company acquired the entire issued share capital of Clear Achieve from Mr. Kong, Ms. Choi and the Pre-IPO Investor. In consideration thereof, (i) our Company allotted and issued 89 nil paid Shares to Fortunate Year (as directed by Mr. Kong and Ms. Choi), and 10 nil paid Shares to the Pre-IPO Investor. As a result thereof, our Company was beneficially owned as to 90% by Fortunate Year and 10% by the Pre-IPO Investor, and Clear Achieve is directly wholly-owned by our Company.
- (c) On 20 July 2017, the 90 nil paid Shares and 10 nil paid Shares were credited as fully paid up by Fortunate Year and the Pre-IPO Investor, respectively.
- (d) Pursuant to the written resolutions of our Shareholders passed on 24 November 2017, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of a further 9,962,000,000 Shares.



- (e) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares fully paid or credited as fully paid and 9,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Written resolutions of our Shareholders passed on 24 November 2017

Pursuant to the written resolutions of our Shareholders passed on 24 November 2017:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of a further 9,962,000,000 Shares of HK\$0.01 each ranking *pari passu* in all respect with the then existing Shares;
- (b) the Memorandum and the Articles were conditionally approved and adopted;
- (c) conditional on the conditions as set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus:
- (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares;
- (ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$7,999,999 standing to the credit of the share premium account of our Company and to apply such sum in paying up in full at par a total of 799,999,900 Shares for allotment and issue to following Shareholders in the following manner:

<b>Shareholders</b>	<b>Number of Shares to be allotted and issued</b>
Fortunate Year	719,999,910
The Pre-IPO Investor	<u>79,999,990</u>
	<u><u>799,999,900</u></u>

- (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to implement the same, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant thereto;
  
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than (I) pursuant to a rights issue or (II) pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or (III) pursuant to the grant of options under the Share Option Scheme or other similar arrangement or (IV) pursuant to the Capitalisation Issue or Share Offer or (V) pursuant to a specific authority granted by the Shareholders in general meeting, Shares with an aggregate number not exceeding (i) 20% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to any share options which may be granted under the Share Option Scheme) and (ii) the aggregate number of Shares repurchased under the authority granted to our Directors as referred to in paragraph (v) below, until whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of our Company;
  - (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Cayman Islands to be held; or
  - (3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate;
  
- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate number of not exceeding 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be granted under the Share Option Scheme), until whichever is the earliest of:
  - (1) the conclusion of the next annual general meeting of our Company;

- (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of Cayman Islands to be held; or
- (3) the revocation or variation by an ordinary resolution of our Shareholders in a general meeting.

#### **4. Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, Reorganisation and Group Structure” in this prospectus for further details.

#### **5. Changes in share capital of subsidiaries of our Company**

Our subsidiaries are set forth under the Accountants’ Report as included in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the section headed “History, Reorganisation and Group Structure” in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase by our Company of our own securities**

The following paragraphs include information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

##### ***(a) Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing 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***

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by special approval of a particular transaction.

Pursuant to the written resolutions of our Shareholders passed on 24 November 2017, a general mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange, or on any other stock exchange on which our Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be granted under the Share Option Scheme). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of Cayman Islands to be held, or when revoked or varied by ordinary resolution of our Shareholders in general meeting, whichever shall first occur.

*(ii) Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum and Articles and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities 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 or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of the Shares in issue of that Company or warrants to subscribe for shares in that 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. A 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. A 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. A 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.

*(iv) Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

*(v) Suspension of repurchase*

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

*(vi) Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core connected persons*

Under the Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

***(b) Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after Listing, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

***(c) Reasons for repurchases***

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

***(d) Funding of repurchases***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles and the applicable laws and regulations 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 was 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, to the best of their knowledge having made all reasonable enquiries, nor any of their respective close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, 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. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) 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 consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a subscription agreement dated 19 May 2017 and entered into between the Pre-IPO Investor, Clear Achieve, Mr. Kong and Ms. Choi, pursuant to which the Pre-IPO Investor subscribed for 20 shares in Clear Achieve at the subscription price of HK\$13,000,000;
- (b) a share transfer agreement dated 31 May 2017 and entered into between Mr. Kong and Ms. Choi as transferors and Clear Achieve as transferee whereby Mr. Kong and Ms. Choi agreed to transfer the entire issued share capital of Kin Pang (2 shares of Kin Pang) to Clear Achieve at a total consideration of MOP250,000;
- (c) a share transfer agreement dated 26 June 2017 and entered into between Clear Achieve as purchaser and Mr. Kong and Ms. Choi as vendors whereby Mr. Kong and Ms. Choi agreed to transfer the entire issued share capital of Greatway (2 shares of Greatway) to Clear Achieve at a total consideration of HK\$2;
- (d) a share transfer agreement dated 5 July 2017 and entered into between Kin Pang as transferor and Kin Hang as transferee whereby Kin Pang agreed to transfer 50% equity interest in Hang Kin (1 share in Hang Kin) to Kin Hang at a consideration of MOP15,000;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Public Offer Underwriting Agreement.





## 2. Intellectual property rights

### (a) Trademark

#### *Application for registration of trademark*

As at the Latest Practicable Date, our Group had applied for registration of the following trademark:

Trademark	Place of registration	Application number	Name of applicant	Class	Date of application
A) 	Hong Kong	304195026	Kin Pang	37, 42	4 July 2017
B) 					

### (b) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Domain name	Registrant	Registration date	Expiry date
kinpang.com.mo (Note)	Kin Pang	6 August 2016	6 August 2019

*Note:* Information contained in the website does not form part of this prospectus.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Directors

#### (a) *Disclosure of interests of Directors and chief executive*

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

#### (i) *Long position in Shares*

Name of Directors	Capacity/nature of interests	Number of Shares	Percentage of shareholding (%)
Mr. Kong	Interest in a controlled corporation ( <i>Note 1</i> ); Interest of spouse ( <i>Note 2</i> )	670,000,000	67.00
Ms. Choi	Interest in a controlled corporation ( <i>Note 1</i> ); Interest of spouse ( <i>Note 2</i> )	670,000,000	67.00

*Notes:*

1. Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our Company will be owned as to 67.0% by Fortunate Year. Fortunate Year is owned as to 60% by Mr. Kong and 40% by Ms. Choi. Under the SFO, Mr. Kong and Ms. Choi are deemed to be interested in all the Shares registered in the name of Fortunate Year.
2. Ms. Choi is the spouse of Mr. Kong. Under the SFO, Ms. Choi is deemed to be interested in the same number of Shares in which Mr. Kong is interested, and vice versa.

*(ii) Long position in the ordinary shares of associated corporation*

Name of Directors	Name of associated corporation	Capacity/nature of interests	Number of shares	Percentage of shareholding in the associated corporation (%)
Mr. Kong	Fortunate Year	Beneficial owner; interest of spouse ( <i>Note</i> )	200	100%
Ms. Choi	Fortunate Year	Beneficial owner; interest of spouse ( <i>Note</i> )	200	100%

*Note:* Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our Company will be owned as to 67.0% by Fortunate Year. Fortunate Year is owned as to 60% by Mr. Kong and 40% by Ms. Choi. As Ms. Choi is the spouse of Mr. Kong, under the SFO, Ms. Choi is deemed to be interested in the same number of the shares of Fortunate Year in which Mr. Kong is interested, and vice versa.

**(b) Particulars of service contracts and letters of appointment***Executive Directors*

Each of Mr. Kong and Ms. Choi, being all our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the consolidated net profits of our Group after taxation and minority interest but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that our relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her.

<b>Name</b>	<b>Amount</b> <i>(MOP)</i>
Mr. Kong	720,000
Ms. Choi	480,000

*Independent non-executive Directors*

Each of Mr. Cheung Wai Lun Jacky, Mr. Cheung Kin Wing and Mr. Zhao Zhipeng, being all our independent non-executive Directors, has entered into a letter of appointment with our Company. Each letter of appointment takes effect from the date of the letter of appointment, and shall continue for an initial fixed term of three years from the Listing Date, and provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing. Commencing from the Listing Date, each independent non-executive Director is entitled to an annual director's fee of HK\$180,000.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) **Directors' remuneration**

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

The aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by our Group to our Directors for FY2014, FY2015, FY2016 and the five months ended 31 May 2017 was approximately MOP360,000, MOP360,000, MOP360,000 and MOP500,000, respectively. Further information in respect of our Directors' remuneration is mentioned in note 6 to the Accountants' Report as set out in Appendix I to this prospectus.

**2. Substantial Shareholders**

For the information on the persons or entities who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of the Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 member of our Group, please refer to the section headed "Substantial Shareholders" in this prospectus.

**3. Related party transactions**

Our Group entered into the related party transaction during the Track Record Period as mentioned in note 27 to the Accountants' Report in Appendix I to this prospectus.

#### 4. Disclaimers

Save as disclosed in this prospectus, as at the Latest Practicable Date:

- (a) and 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 the options which have been or may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the 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 nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in the section headed “Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
- (d) none of our Directors 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.

**D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our existing Shareholders on 24 November 2017.

For the purpose of this section, unless the context otherwise requires:

- “Board” means our board of Directors from time to time or a duly authorised committee thereof;
- “Eligible Person” means any full-time or part-time employee of our Company or any member of our Group, including any executive directors, non-executive directors and independent non-executive directors, and any suppliers, customers, agents, advisors and consultants of our Group who, in the sole opinion of our Board, will contribute or have contributed to our Group;
- “Option” means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
- “Option Period” means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
- “Other Schemes” means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
- “Participant” means any Eligible Person who accepts or is deemed to have accepted the offer 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 Participant;
- “Shareholders” means shareholders of our Company from time to time;

- “Subsidiary” means a company which is for the time being and from time to time a subsidiary (within the meaning of section 15 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
- “Trading Day” means a day on which trading of Shares take place on the Stock Exchange.

**(a) Purpose of the Share Option Scheme**

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

**(b) Who may join**

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

**(c) Grant of Option**

- (i) Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the Listing Rules. 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 the approval of our Company’s results for any year, half-year, quarter-year period 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 its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.



- (ii) The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by our Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders’ meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

**(d) Price of Shares**

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, 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 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) **Maximum number of Shares**

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) provided that the Options lapsed in accordance with the terms of the Share Option Scheme or Other Schemes will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,000,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 100,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders’ approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders’ approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing our information required by the Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically identified by our Company before such Shareholders’ approval is sought. In relation to the Shareholders’ approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the 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 Other Schemes exceeds 30% of the Shares in issue from time to time.

**(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 and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

**(g) Rights are personal to grantee**

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

**(h) Rights on death**

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that the Options have become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

**(i) Changes in capital structure**

- (i) In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.
- (ii) Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such

alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

**(j) Rights on take-over**

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code.

**(k) Rights on a compromise or arrangement**

- (i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his or her outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.
- (ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his or her outstanding Options at any time no later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

**(l) Lapse of Option**

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period;
- (iii) the first anniversary of the death of the Participant;
- (iv) the commencement of the winding up of the Company;
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:
  - (1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;
  - (2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;
  - (3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;
  - (4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or

(5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi) (1) to (4) above;

(vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and

(viii) the date the Participant commits any breach of the provisions of paragraph (g) above.

**(m) Ranking of Shares**

Shares allotted and issued upon the exercise of an Option will be subject to our Articles as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

**(n) Cancellation of Options granted**

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

**(o) Period of Share Option Scheme**

The Share Option Scheme will be valid and effective for a period of 10 years commencing on the Listing Date, 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 and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

**(p) Alteration to and termination of Share Option Scheme**

- (i) The Share Option Scheme may be altered in any respect by resolution of our Board, except that (1) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 17 of the Listing Rules; and (2) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme, shall first be approved by our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.
- (ii) Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the new scheme to be established after such termination.

**(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their associates**

- (i) Where Options are proposed to be granted to a director, chief executive or substantial shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (ii) If a grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time

specified by the Stock Exchange) of the Shares in issue, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. The Participant, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Our Company will send a circular to our Shareholders containing the information required under Rule 17.04(3) of the Listing Rules.

- (iii) In addition, the Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder, an independent non-executive Director or their respective associates.
- (iv) The circular must contain the following:
  - (1) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
  - (2) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
  - (3) all other information as required by the Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) set out in this paragraph (q) above do not apply where the Eligible Person is only a proposed Director or proposed chief executive.

**(r) Performance Target**

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.



(s) **Conditions of Share Option Scheme**

- (i) The Share Option Scheme is conditional on (i) the passing of the written resolution to adopt the Share Option Scheme by all our existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.
- (ii) As at the Latest Practicable Date, no options have been granted or agreed to be granted by our Company under the Share Option Scheme.
- (iii) Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.
- (iv) The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.

**E. OTHER INFORMATION**

**1. Tax and other indemnities**

Our Controlling Shareholders, namely, Mr. Kong, Ms. Choi and Fortunate Year, (collectively the “**Indemnifiers**”) have entered into a deed of indemnity (“**Deed of Indemnity**”) (being a material contract referred to in the section headed “Summary of Material Contracts” of this Appendix) to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries).

Under the Deed of Indemnity, each of the Indemnifiers irrevocably, jointly and severally agrees, covenants and undertakes with our Company (for itself and as trustee for each member of our Group) that he/she/it will indemnify our Company (for itself and as trustee for each member of our Group) against, amongst others, the following:

- (a) any liability to any form of taxation falling on any or all members of our Group resulting from or by reference to any income, profit or gains earned, accrued or received (or deemed to be so earned, accrued or received) or transactions, events, acts, omissions, matters or things entered into or occurring on or before the Listing Date;

- (b) all necessary costs (including all legal costs), expenses, interests, penalties, damages, losses or other liabilities incurred by any members of our Group due to any litigation, arbitration and/or legal proceedings (including without limitation any court proceeding, administrative proceedings or other proceedings commenced or instituted by any regulatory body or governmental department) against any member of our Group in relation to, arising out of or in connection with any cause of action, subject matter, dispute or breach, infringement or contravention of any law, regulation, legal right or proprietary right (whether intellectual, property or otherwise) that are issued or accrued occurred in anywhere in the world on or before the Listing Date;
- (c) all necessary costs (including all legal costs), expenses, interests, damages, losses of other liabilities suffered by our Group due to non-recovery of our trade receivables and retention receivables from Customer A in relation to Project BA1 (as further discussed in the section headed “Business – Customers – Trade Receivables and Retention Receivables from Customer A”);
- (d) all relocation fees, costs and any loss suffered or incurred by any member of our Group in the event that we cannot continue to use certain leased properties before the expiration of the current term of the tenancy/lease/licence due to the denial of the ownership titles of the relevant landlords or is otherwise prohibited from using or occupying any of such properties, on or before the Listing Date; and
- (e) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group arising from the non-compliance by any member of our Group with any applicable laws and regulations, on or before the Listing Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any member of our Group up to 31 May 2017 (“**Accounts**”);or

- (b) falling on any member of our Group in respect of any period commencing on the day immediately after the date on which the Share Offer becomes unconditional unless liability for such taxation would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Share Offer becomes unconditional) without the prior written consent or agreement of the Indemnifiers; or
- (c) to the extent that such taxation arises or is incurred as a result of any change in the law having retrospective effect coming into force after the date on which the Share Offer becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the Share Offer becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period); or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

The Indemnifiers will not be liable in respect of the liabilities arising from the non-compliance with laws and regulations which are promulgated or amended after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, the BVI, Macau or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

## **2. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

**3. 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 the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme. The sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The sole Sponsor is entitled to the sponsor's fee in the amount of HK\$4.5 million.

**4. Compliance adviser**

In accordance with the requirements of the Listing Rules, our Company will appoint Red Sun Capital Limited as its compliance adviser to provide advisory 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 commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

**5. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are around HK\$60,000 which is payable by our Company.

**6. Promoters**

Our Company has no promoter for the purpose of the Listing Rules.

**7. Qualifications of experts**

The qualifications of the experts who have given reports, letters or opinions (as the case may be) in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Red Sun Capital Limited	Licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Chio Tak Wo, Advogado	Macau legal advisor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan Limited	Industry consultant
Mr. Chan Chung	Barrister-at-law of Hong Kong

**8. Consents of experts**

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Agency fees or commission**

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting – Underwriting Arrangements and Expenses – Commissions and Expenses”.

**11. Share registrar**

The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

**12. Particulars of the Selling Shareholder**

Name:	Fortunate Year Investments Limited
Registered address:	Vistra Corporate Services Centre Wickhams Cay II Road Town, Tortola VG1110, BVI
Date of incorporation:	9 May 2017
Number of Sale Shares to be sold:	50,000,000

**13. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
  - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) No share 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.

- (c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed “Financial Information – No Material Adverse Change” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up).
- (e) 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.
- (f) None of the experts as set out in the section headed “Qualifications of Experts” in this Appendix:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

#### **14. Bilingual Prospectus**

Pursuant to Rule 19.36(5) of the Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time as each place where this prospectus is distributed by or on behalf of our Company.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms, (ii) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 8. Consents of Experts” in Appendix IV to this prospectus, (iii) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of Material Contracts” in Appendix IV to this prospectus, and (iv) a statement of particulars of the Selling Shareholder.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Stevenson, Wong & Co. at 39th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles;
- (2) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I to this prospectus, together with the related statement of adjustments;
- (3) the audited financial statements of Greatway and audited consolidated financial statements of Clear Achieve for the Track Record Period underlying the historical financial information of our Group incorporated in the Accountants’ Report;
- (4) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Companies Law referred to in Appendix III to this prospectus;
- (6) the Companies Law;
- (7) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information about the Business of our Group – 1. Summary of Material Contracts” in Appendix IV to this prospectus;



- (8) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of Service Contracts and Letters of Appointment” in Appendix IV to this prospectus;
- (9) the rules of the Share Option Scheme referred to in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus;
- (10) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 8. Consents of Experts” in Appendix IV to this prospectus;
- (11) the legal opinion issued by Chio Tak Wo, Advogado as to certain aspects of Macau law relating to general matters and property interests of our Group;
- (12) the Frost & Sullivan Report;
- (13) the legal opinion prepared by Mr. Chan Chung; and
- (14) a statement of particulars of the Selling Shareholder.

**建鵬控股有限公司**  
**Kin Pang Holdings Limited**