Twintek

Twintek Investment Holdings Limited
乙德投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6182

SHARE OFFER

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

AmCap
Ample Orient Capital Limited
豐盛東方資本有限公司

Joint Bookrunner and Joint Lead Manager

富滙證券
WealthLink
Securities Limited

Co-Lead Managers

AFG 高鉦

雅利多證券
ARISTO SECURITIES LIMITED

IMPORTANT

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

TWINTEK INVESTMENT HOLDINGS LIMITED
乙德投資控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	**200,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	:	**20,000,000 Shares (subject to reallocation)**
Number of Placing Shares	:	**180,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$0.68 per Offer Share and expected to be not less than HK$0.52 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**6182**

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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 VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by an agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about Monday, 8 January 2018 and, in any event, not later than Monday, 15 January 2018. The Offer Price will be not more than HK$0.68 per Offer Share and is currently expected to be not less than HK$0.52 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK$0.68 per Offer Share, unless otherwise announced, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$0.68 per Offer Share. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.kwantaieng.com**.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of the 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 a case, notices of the extension or reduction of the indicative Offer Price range and/or the number of the Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.kwantaieng.com 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 our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 15 January 2018, the Share Offer will not proceed and will lapse.

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

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Underwriters) has the right in certain circumstances, in its sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set forth in the section headed "Underwriting — Public Offer Underwriting arrangements and expenses — Public Offer — Grounds for termination" of this prospectus. It is important that you refer to that section for further details.

29 December 2017

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

Public Offer commences and **WHITE** and **YELLOW** Application Forms available from . . . . . . 9:00 a.m. on Friday, 29 December 2017

2018[1]

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . . . . 11:30 a.m. on Thursday, 4 January

Application lists of the Public Offer open[3] . . . . . . 11:45 a.m. on Thursday, 4 January

Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[4] . . . . . . 12:00 noon on Thursday, 4 January

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 Thursday, 4 January

Application lists of the Public Offer close[3] . . . . . . 12:00 noon on Thursday, 4 January

Expected Price Determination Date[5] . . . . . . Monday, 8 January

Announcement of the final Offer Price, the indication of levels of interest in the Placing, the level of applications in the Public Offer, the basis of allotment of the Public Offer Shares under the Public Offer and the number of Offer Shares reallocated, if any, between the Public Offer and the Placing to be published (a) on the website of our Company at **www.kwantaieng.com**[6]; and (b) on the website of the Stock Exchange at **www.hkexnews.hk** on or before . . . . . . Tuesday, 16 January

Announcement of results of allocations in the Public Offer (with successful applicants' identification documents 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 from . . . . . . Tuesday, 16 January

Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/ Business Registration Number" function from	Tuesday, 16 January
Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before[7]	Tuesday, 16 January
Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the initial price per Public Offer Share payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before[8]	Tuesday, 16 January
Dealing in the Shares on the Stock Exchange expected to commence at	9:00 a.m. on Wednesday, 17 January

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus. If there is any change in this expected timetable, an announcement will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and of our Company (**www.kwantaieng.com**).

2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 January 2018, the application lists will not open and close on that day. Please refer to the paragraph headed "How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" of this prospectus. If the application lists do not open and close on Thursday, 4 January 2018, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph 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, being the date on which the Offer Price is to be determined, is expected to be on or around Monday, 8 January 2018 and in any event, not later than Monday, 15 January 2018. If, for any reason, the Offer Price is not agreed by Monday, 15 January 2018 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Share Offer (including the Public Offer) will not proceed and will lapse.

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

7. Applicants who apply for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 16 January 2018 or any other date as notified by us.

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

Uncollected share certificates and refund cheques, if any, will be despatched by ordinary post to the addresses specified in the relevant Application Form at the applicants' own risk. Further information is set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

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

   Applicants who apply through **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Share certificates are expected to be issued on Tuesday, 16 January 2018 but will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. 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.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not contained nor not made in this prospectus or the Application Forms must not be relied on by you as having been authorised by our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Share Offer.

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

BUSINESS OVERVIEW

We are a building materials contractor providing building materials and the relevant installation services mainly in Hong Kong. Our products mainly consist of (i) interior wall-fill materials, in particular, gypsum block products; (ii) timber flooring products; (iii) GRC products; (iv) roof tiles; and (v) woodwork products. Our history can be traced back to 1980 when the predecessor of our Group, Tristar commenced its business. Leveraging our experience and expertise, we expanded our business to Macau in 2015. During the Track Record Period, our products were applied in project sites located in Hong Kong and Macau. Apart from the provision of building materials, we also engage subcontractors to perform the relevant installation services, if required by our customers. For details of our projects, please refer to the paragraph headed "Business — Our projects" of this prospectus.

During the Track Record Period, our Group's revenue was principally generated from Hong Kong, whilst revenue generated from Macau only amounted to nil, approximately 4.1%, approximately 0.03%, nil and nil of our revenue for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Going forward, our Directors expect that the majority of our business will remain to be focused in Hong Kong, and our business in Macau is expected to be immaterial in the near future.

The revenue attributable to our products and services during the Track Record Period is set out below.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Supply of building materials only										
Interior wall-fill materials — gypsum block products	67,804	28.8	69,845	32.2	63,571	31.4	7,374	23.9	19,138	22.4
Timber flooring products										
— HUGO	1,508	0.6	3,429	1.6	2,304	1.1	12	0.0	115	0.2
— German branded sports parquet products	—	—	—	—	—	—	—	—	—	—
Others *(Note 1)*	37,094	15.8	79	0.0	27	0.0	—	—	31	0.0
Subtotal	106,406	45.2	73,353	33.8	65,902	32.5	7,386	23.9	19,284	22.6

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Supply and installation of building materials										
Interior wall-fill materials — gypsum block products	20,165	8.5	12,920	6.0	45,666	22.6	4,499	14.6	13,833	16.2
Timber flooring products										
— HUGO	99,184	42.1	124,314	57.3	79,722	39.4	17,042	55.2	37,791	44.3
— German branded sports parquet products and others	299	0.2	2,447	1.1	2,569 *(Note 2)*	1.3	1,094	3.5	186	0.2
Others *(Note 1)*	9,297	4.0	3,831	1.8	8,460	4.2	852	2.8	14,235	16.7
Subtotal	128,945	54.8	143,512	66.2	136,417	67.5	23,487	76.1	66,045	77.4
Total	235,351	100.0	216,865	100.0	202,319	100.0	30,873	100.0	85,329	100.0

Notes:

1. Others mainly represent GRC and roof tiles.

2. During the year ended 31 March 2017, our Group was engaged in two timber flooring product supply and installation projects where our customers requested us to use other branded timber flooring products. Revenue generated from the abovementioned two projects in aggregate amounted to approximately HK$0.3 million.

Revenue from our "HUGO" brand products decreased significantly from approximately HK$127.7 million for the year ended 31 March 2016 to approximately HK$82.0 million for the year ended 31 March 2017, representing a decrease of approximately 35.8%. Such decrease was mainly due to the combined effects of the progress of certain supply and installation of "HUGO" brand timber flooring products projects, in particular (i) decrease in revenue of approximately HK$77.0 million in aggregate from Project A9, Project A12, Project A13, Project A14, Project A27, Project A28, Project A29 and Project A40 since a substantial amount of work for these projects were performed during the year ended 31 March 2016; and (ii) increase in revenue of approximately HK$38.6 million in aggregate from Project A5, Project A7 and Project A11 since a substantial amount of work for these projects were performed during the year ended 31 March 2017.

OUR TENDER SUCCESS RATES

For the two years ended 31 March 2015 and 2016, the number of tenders submitted by our Group was 43 and 47 respectively, and the respective tender success rate was approximately 60.5% and 55.3%, which was relatively stable over the two years. For the year ended 31 March 2017, the number of tenders submitted by our Group increased to 77, and the tender success rate decreased to 51.5%. For the three months ended 30 June 2017, the number of tenders submitted by our Group was 29, and the success rate was 50.0%. Subject to the availability of our Group's working capital and manpower, it is our strategy to be responsive to customers' invitations and submit tenders to customers in order to maintain business relationship with the customers and maintain our presence in the market. For further details of our tender success rates, please refer to the paragraph headed "Business — Business model and our operations — 1. Tender phase — Tender success rates" of this prospectus.

OUR CUSTOMERS

During the Track Record Period, our customers mainly included main contractors and subcontractors participating in both public sector and private sector projects. All of our projects are conducted on a project-by-project basis. Our total revenue amounted to approximately HK$235.4 million, HK$216.9 million, HK$202.3 million, HK$30.9 million and HK$85.3 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Our revenue contribution by sectors during the Track Record Period is set out below.

	Year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*	*HK$ million* (unaudited)	*%*	*HK$ million*	*%*
Private sector	223.5	95.0	188.1	86.7	129.2	63.9	25.2	81.6	65.0	76.2
Public sector	11.9	5.0	28.8	13.3	73.1	36.1	5.7	18.4	20.3	23.8
Total	235.4	100.0	216.9	100.0	202.3	100.0	30.9	100.0	85.3	100.0

During the Track Record Period, a majority of our five largest customers, who are Independent Third Parties, has a long-standing business relationship with us for over ten years. For the three years ended 31 March 2017 and the three months ended 30 June 2017, the total revenue attributable to them amounted to approximately HK$178.9 million, HK$112.7 million, HK$110.1 million and HK$60.9 million respectively, representing approximately 76.0%, 52.0%, 54.4% and 71.4% of our total revenue respectively. During the same reporting period, total revenue attributable to our largest customer amounted to approximately HK$59.1 million, HK$33.8 million, HK$34.9 million and HK$21.2 million respectively, representing approximately 25.1%, 15.6%, 17.2% and 24.9% of our total revenue respectively. For further details of the customers of our Group, please refer to the paragraph headed "Business — Customers" of this prospectus.

OUR SUPPLIERS

Our Group's major suppliers include the suppliers of gypsum block products, timber flooring products and other building materials such as GRC and roof tiles. As the sole and exclusive distributor for our gypsum block products in Hong Kong, Macau, Malaysia and Singapore and a distributor of the German branded sports parquet products in Hong Kong, we directly purchase the respective products from their manufacturers in Germany. Apart from gypsum block products and German branded sports parquet products, we purchase other building materials from a number of suppliers on our Group's approved supplier list.

During the Track Record Period, all gypsum block products for our supply only and supply and installation projects were sourced from the German Gypsum Supplier. For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, the total revenue generated from supply only and supply and installation of gypsum block products accounted for approximately 37.3%, 38.2%, 54.0%, 38.5% and 38.6% of our total revenue for the respective years/period. We are dependent on the continued supply from the German Gypsum Supplier to maintain our business operations. There is no guarantee that the German Gypsum Supplier will maintain the distributorship agreement with us and our future profit and market share may be adversely affected.

During the Track Record Period, all of our five largest suppliers, who are Independent Third Parties, have a long-standing business relationship with us for over five years, and the total aggregate purchases from them amounted to approximately HK$99.9 million, HK$93.7 million, HK$82.2 million and HK$35.8 million respectively, representing approximately 53.3%, 55.3%, 59.5% and 56.1% of our total cost of sales and services respectively. During the same reporting period, total purchases from our largest supplier amounted to approximately HK$33.1 million, HK$40.2 million, HK$47.0 million and HK$13.6 million respectively, representing approximately 17.7%, 23.8%, 34.0% and 21.3% of our total cost of sales and services respectively. For further details of the suppliers of our Group, please refer to the paragraph headed "Business — Suppliers" of this prospectus.

Our Group maintains an internal list of approved suppliers, which is reviewed by our Directors from time to time. Our Group assesses the overall performance of suppliers based on track record, product quality, timeliness of delivery, stock sufficiency and price. In addition to the above, our Group maintains awareness of our product responsibility by (i) obtaining the business registration licences of suppliers to ensure that such suppliers are carrying on their business legally and within the scope of their business registration licences, and relevant documents evidencing compliance with applicable PRC laws and regulations relating to wood import such as customs clearance documents; (ii) conducting supplier background searches and web searches regarding any claims and/or information in relation to the supplier's product source of origin or product quality in the past; and (iii) obtaining forestry ownership certificates such as FSC and/or Programme for the Endorsement of Forest Certification from key suppliers, to ensure that their raw materials are obtained from legitimate sources for our FSC certified products requested by our customers. Since such certificates are awarded to the suppliers and are valid for five years, we obtain such certificates from the suppliers when we first engage them or upon the renewal of such certificates by the suppliers. Based on the above, our Directors are of the view, and the Sponsor concurs, that our Group is able to source FSC certified products from our suppliers which, along with other factors, enables us to fulfil the requirement of maintaining a FSC Chain of Custody certification.

OUR SUBCONTRACTORS

Regarding our supply and installation projects, our Group normally engages subcontractors to perform the relevant installation works of building materials. By adopting our subcontracting business model, our Directors believe that our Group is able to maintain a low fixed cost in relation to overhead expenses and more effectively manage our projects by relying on others' established expertise and skill set as and when required.

For the three years ended 31 March 2017 and the three months ended 30 June 2017, total aggregate subcontracting costs paid to our five largest subcontractors amounted to approximately HK$38.4 million, HK$39.3 million, HK$40.9 million and HK$22.7 million respectively, representing approximately 20.5%, 23.2%, 29.6% and 35.5% of our total cost of sales and services respectively. For further details of the subcontractors of our Group, please refer to the paragraph headed ''Business — Subcontractors'' of this prospectus.

OUR PRICING STRATEGY

We generally price a project based on a cost-plus pricing model for both our supply only and supply and installation projects. Based on the experience of our management, we will prepare our tenders for projects by estimating our costs and gross profit margins of undertaking the projects with reference to various factors including (i) the scale, complexity and specifications of the projects; (ii) our capacity; (iii) the amount of building materials to be ordered; (iv) historical fees we received for similar projects; (v) the degree of competition at the contract negotiation stage; and (vi) the estimated amount of subcontracting costs, if any. For further details of the pricing strategy of our Group, please refer to the paragraph headed ''Business — Business model and our operations — 1. Tender phase — Price determination'' of this prospectus.

OUR COMPETITIVE STRENGTHS

Our Directors consider that there are several competitive strengths that drive our Group's growth in revenue and distinguish our Group from competitors, which comprise (i) wide application of our interior wall-fill materials, in particular our gypsum block products, in both private and public sectors projects in Hong Kong; (ii) our track record as an established building materials contractor in Hong Kong; (iii) our long-term business relationships with some manufacturing suppliers of quality building materials; (iv) our ability to manage our projects within our customers' time constraints; (v) our long-term and stable business relationships with our customers and subcontractors; (vi) our experienced management team with proven track record; and (vii) our commitment to maintain safety standards, quality control and environmental protection. For further details, please refer to the paragraphed headed ''Business — Our competitive strengths'' of this prospectus.

COMPETITIVE LANDSCAPE

According to the Industry Report, the market share of our Group in the building construction timber flooring and gypsum block supply industry in Hong Kong in 2016 was approximately 15.6% and 76.3% respectively. Meanwhile, gypsum block accounted for approximately 3.1% of the interior mass-walls (brick and block walls) wall-fill materials market in Hong Kong in 2016 in terms of installation volume. For further details, please refer to the section headed "Industry overview" of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

The tables below summarise our consolidated financial information during the Track Record Period, and should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this prospectus. For further details of the financial information of our Group, please refer to the section headed "Financial information" of this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue	235,351	216,865	202,319	30,873	85,329
Cost of sales and services	(187,263)	(169,313)	(138,097)	(23,679)	(63,842)
Gross profit	48,088	47,552	64,222	7,194	21,487
Other income	3,665	407	1,175	155	208
Selling and distribution expenses	(5,722)	(5,799)	(8,233)	(1,361)	(3,560)
Administrative expenses	(13,690)	(17,318)	(20,280)	(4,057)	(9,289)
Finance costs	(3,155)	(2,439)	(2,501)	(567)	(617)
Profit before tax	29,186	22,403	34,383	1,364	8,229
Income tax expenses	(4,868)	(3,483)	(6,090)	(225)	(1,845)
Profit for the year/period and total comprehensive income for the year/period	24,318	18,920	28,293	1,139	6,384

During the Track Record Period, our Group's revenue was generated from (i) supply of building materials only; and (ii) supply and installation of building materials. Set out below is the breakdown of our revenue by business activities during the Track Record Period.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Supply of building materials only										
— Interior wall-fill materials										
— gypsum block products	67,804	28.8	69,845	32.2	63,571	31.4	7,374	23.9	19,138	22.4
— Timber flooring products	1,508	0.6	3,429	1.6	2,304	1.1	12	0.0	115	0.2
— Others *(Note)*	37,094	15.8	79	0.0	27	0.0	—	—	31	0.0
	106,406	45.2	73,353	33.8	65,902	32.5	7,386	23.9	19,284	22.6

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Supply and installation of building materials										
— Interior wall-fill materials										
— gypsum block products	20,165	8.5	12,920	6.0	45,666	22.6	4,499	14.6	13,833	16.2
— Timber flooring products	99,483	42.3	126,761	58.4	82,291	40.7	18,136	58.7	37,977	44.5
— Others *(Note)*	9,297	4.0	3,831	1.8	8,460	4.2	852	2.8	14,235	16.7
	128,945	54.8	143,512	66.2	136,417	67.5	23,487	76.1	66,045	77.4
Total	235,351	100.0	216,865	100.0	202,319	100.0	30,873	100.0	85,329	100.0

Note: Others mainly represent GRC and roof tiles.

Our revenue decreased slightly from approximately HK$235.4 million for the year ended 31 March 2015 to approximately HK$216.9 million for the year ended 31 March 2016, representing a decrease of approximately 7.9%. Such decrease was mainly due to the decrease in revenue recognised from certain supply of other building materials project, which is non-recurring in nature. Our revenue further decreased slightly to approximately HK$202.3 million for the year ended 31 March 2017, representing a decrease of approximately 6.7%. Such decrease was mainly due to the decrease in revenue recognised from certain supply and installation of timber flooring products projects which had a substantial amount of revenue recognised during the year ended 31 March 2016 and a relatively lower amount of revenue recognised during the year ended 31 March 2017. Meanwhile, revenue from supply and installation of interior wall-fill materials increased significantly from approximately HK$12.9 million for the year ended 31 March 2016 to approximately HK$45.7 million for the year ended 31 March 2017, representing an increase of approximately HK$32.8 million, or 254.3%. Such increase was mainly attributable to the increase in revenue recognised from certain projects which had a substantial amount of revenue recognised during the year ended 31 March 2017, which are non-recurring in nature, and there is no assurance that our Group will generate similar levels of revenue in the future. Our revenue increased from approximately HK$30.9 million for the three months ended 30 June 2016 to approximately HK$85.3 million for the three months ended 30 June 2017, representing an increase of approximately 176%. Such increase was mainly due to the increase in revenue recognised from certain (i) supply of interior wall-fill materials only projects; (ii) supply and installation of interior wall-fill materials projects; and (iii) supply and installation of timber flooring projects, which had a substantial amount of revenue recognised during the three months ended 30 June 2017.

Consolidated statement of financial position

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	6,297	7,268	7,272	10,912
Current assets	103,404	94,589	137,504	134,442
Total assets	109,701	101,857	144,776	145,354
Current liabilities	87,330	75,294	90,366	84,560
Net current assets	16,074	19,295	47,138	49,882
Total assets less current liabilities	22,371	26,563	54,410	60,794
Total equity	22,055	25,999	54,292	60,676

Our Group's total equity mainly comprised of retained earnings, which amounted to approximately HK$17.1 million, HK$21.0 million, HK$49.3 million and HK$55.7 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. Our Group's retained earnings increased to approximately HK$21.0 million as at 31 March 2016, which was mainly due to our profitable operations and partially offset by the distribution of dividends during the year ended 31 March 2016. Our Group's retained earnings further increased to approximately HK$49.3 million and HK$55.7 million as at 31 March 2017 and 30 June 2017 respectively primarily due to our business profitability.

Key financial ratios

The following table sets out certain financial ratios of our Group during the Track Record Period. For further details of the key financial ratios of our Group, please refer to the paragraph headed "Financial information — Key financial ratios" of this prospectus.

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
Current ratio[1]	1.2 times	1.3 times	1.5 times	1.6 times
Gearing ratio[2]	170.7%	167.8%	75.3%	66.4%
Debt to equity ratio[3]	168.6%	154.5%	61.8%	22.5%
Interest coverage[4]	10.3 times	10.2 times	14.7 times	14.3 times
Adjusted return on total assets[5]	22.2%	18.6%	20.8%	N/A
Adjusted return on equity[6]	110.3%	72.8%	55.6%	N/A
Gross profit margin[7]	20.4%	21.9%	31.7%	25.2%
Adjusted net profit margin[8]	10.3%	8.7%	14.9%	10.9%

Notes:

(1) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

(2) Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans) divided by the total equity as at the respective year/period end and multiplied by 100%.

(3) Debt to equity ratio is calculated by the net debt (all interest-bearing borrowings and loans, net of cash and cash equivalents) divided by the total equity as at the respective year/period end multiplied by 100%.

(4) Interest coverage ratio is calculated by the profit before interest and tax divided by the interest expenses for the respective year/period end.

(5) Adjusted return on total assets is calculated by the adjusted net profit for the year divided by the total assets as at the respective year end and multiplied by 100%. *(Note 9)*

(6) Adjusted return on equity is calculated by adjusted net profit for the year divided by total equity as at the respective year end and multiplied by 100%. *(Note 9)*

(7) Gross profit margin is calculated by gross profit divided by the revenue for the respective year/period end and multiplied by 100%.

(8) Adjusted net profit margin is calculated by adjusted net profit for the year/period divided by the revenue for the respective year/period end and multiplied by 100%. *(Note 9)*

(9) Adjusted net profit for the year represents our profit for the year excluding listing expenses. Adjusted net profit is not a measure of performance under HKFRSs and accounting principles generally accepted in Hong Kong. The use of these non-HKFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

OUR SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), Mr. Lo and Ms. Fung, through Helios, will indirectly own 73.5% of the issued share capital of our Company. As (i) Mr. Lo controls Helios by virtue of holding more than 50% of the voting interests of Helios; (ii) Mr. Lo and Ms. Fung are able to exercise direct control over our Company by holding their interests through a common investment holding company, namely Helios; and (iii) Helios is entitled to exercise 30% or more of the voting power at the general meetings of our Company, thus for the purpose of the Listing Rules, Mr. Lo, Ms. Fung and Helios will be regarded as a group of Controlling Shareholders. Further details have been disclosed in the paragraph headed ''Relationship with our Controlling Shareholders — Our Controlling Shareholders'' of this prospectus.

Prior to the Listing, our Group introduced two Pre-IPO investors. On 25 May 2017, Helios transferred 100 Shares and 100 Shares to each of Ms. Lo and Mr. Lo Ka Chun Oscar (''**Mr. Oscar Lo**''), the daughter and son of Mr. Lo and Ms. Fung respectively, for considerations of HK$1.00 and HK$1.00. Upon completion of the said share transfers, our Company became held as to 98%, 1% and 1% by each of Helios, Ms. Lo and Mr. Oscar Lo respectively. For further details of the investments made by our Pre-IPO investors, please refer to the paragraph headed ''History, Reorganisation and corporate structure — Investments by our Pre-IPO investors'' of this prospectus.

USE OF PROCEEDS

Our Group intends to apply the net proceeds to be raised from the Share Offer, after deducting related underwriting fees and commissions and estimated expenses in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all, and an Offer Price of HK$0.60 per Offer Share, being the mid-point of the Offer Price range, of approximately HK$90.1 million as follows:

1. approximately HK$28.0 million (including stamp duty, agency cost and legal and other administrative cost of approximately HK$2.5 million in total), or approximately 31.1% of the net proceeds for acquiring a property as a warehouse, workshop and showroom to enhance our operation capacity to cope with the expected growing demand in the building materials industry;
2. approximately HK$26.0 million, or approximately 28.8%, of the net proceeds for repayment of our outstanding bank borrowings, which are repayable on demand or within one year, to improve our financial position, gearing and liquidity. Details of our borrowings are set forth below;

	Outstanding amounts as at 31 October 2017	**Annual effective interest rate per annum**	**Usage**
Bank borrowings which are repayable on demand or within one year	HK$36.5 million	2.00% to 6.25%	Financing our general working capital

3. approximately HK$13.1 million, or approximately 14.5%, of the net proceeds for further expanding our Group's capacity to undertake more projects, of which (i) approximately HK$8.1 million or approximately 9.0% of the net proceeds will be utilised to finance part of the upfront costs to material suppliers of a public sector project awarded to us with a total contract amount of approximately HK$69.9 million, in which a public facility will be built in Tsim Sha Tsui; and (ii) approximately HK$5.0 million or approximately 5.5% of the net proceeds will be utilised for further promotion of our woodwork products in the market, such as organising marketing activities and conducting product tests for our woodwork products;
4. approximately HK$6.9 million, or approximately 7.6%, of the net proceeds for further expanding and strengthening our Group's manpower by (i) recruiting ten additional full-time staff, including two project managers, two quantity surveyors, two procurement staff and four sales and marketing staff; and (ii) providing additional professional training to our staff;
5. approximately HK$4.8 million, or approximately 5.3%, of the net proceeds for refurbishment of our existing offices;
6. approximately HK$2.6 million, or approximately 2.9%, of the net proceeds for upgrading our information technology and project management systems; and
7. approximately HK$8.7 million, or approximately 9.8%, of the net proceeds for general working capital of our Group.

For further details, please refer to the section headed ''Future plans and use of proceeds'' of this prospectus.

RISK FACTORS

The key risks which we may face include, amongst others, (i) significant disruptions to the operations of manufacturing suppliers could materially and adversely affect our business, financial conditions and results of operations; (ii) we are subject to reputation risks related to our products manufactured by our manufacturing suppliers; (iii) our engagements with customers are not recurring in nature. There is no guarantee that our existing customers will engage us in future projects; (iv) there is no guarantee that the supplier of our gypsum block products will maintain the distributorship agreement with us and our future profit and market share may be adversely affected; (v) we depend on a number of major customers for a substantial portion of our revenue and failure to secure new business with them may materially and adversely affect our business, financial conditions and results of operations; (vi) we rely on subcontractors to undertake installation works for our building materials and any delay or defect in their works may adversely affect our business, financial conditions and results of operations; and (vii) we determine the tender price based on our estimation of the time and costs involved, which may not be accurate. A detailed discussion of the aforementioned risks and other risks is set out in the section headed "Risk factors" of this prospectus.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant.

An interim dividend of HK$15.0 million was declared by our subsidiary to its shareholders during the year ended 31 March 2016. The amount distributable to our Shareholders was settled by our amounts due from directors' balance. No interim dividend was declared during the year ended 31 March 2017.

After the completion of the Listing, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Directors and approval of our Shareholders. Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, for the four months ended 31 October 2017, our Group recorded a revenue of approximately HK$87.9 million. During such period, approximately 29.8% of our revenue was generated from interior wall-fill materials, approximately 62.3% of our revenue was generated from timber flooring products, and approximately 7.9% of our revenue was generated from other products. Our gross profit margin for the four months ended 31 October 2017 was within the range of our Group's gross profit margin during the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group was awarded 30 projects with an aggregate contract sum of approximately HK$48.9 million. As at the Latest Practicable Date, the value of our backlog projects amounted to approximately HK$270.3 million. As far as our Directors are aware, our industry remained relatively stable after the Track Record Period and up to the date of this prospectus. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

The above financial information for the four months ended 31 October 2017 has been reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

On 4 August 2017, our Group completed the purchase from an Independent Third Party of a property located at Unit No.5 on 8th Floor Eastern Centre, No.1065 King's Road, Quarry Bay, Hong Kong, at a consideration of approximately HK$20.4 million. The above consideration had been fully settled by (i) a deposit of approximately HK$2.0 million which was paid after the Track Record Period and was from internal resources; (ii) approximately HK$10.2 million was financed by way of bank loan; and (iii) HK$8.2 million was paid by internal resources of our Group.

SHARE OFFER STATISTICS

The following table sets forth the statistics based on the assumption that 200,000,000 Offer Shares are issued under the Share Offer.

	Based on the minimum Offer Price of HK$0.52 per Offer Share	**Based on the maximum Offer Price of HK$0.68 per Offer Share**
Market capitalisation of our Company at Listing *(Note 1)*	HK$416 million	HK$544 million
Unaudited pro forma net tangible assets of our Group attributable to owners of our Company per Share *(Note 2)*	HK$0.18	HK$0.21

Notes:

1. The calculation of market capitalisation is based on the 800,000,000 Shares expected to be in issue immediately upon completion of the Share Offer, but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or 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 issuing mandate and repurchase mandate.

2. The unaudited pro forma net tangible assets of our Group attributable to owners of our Company per Share is calculated after the adjustments referred to in the section headed "Unaudited pro forma financial information" set out in Appendix II to this prospectus and on the basis of a total of 800,000,000 Shares being in issue at the Offer Price of HK$0.52 to HK$0.68 per Share immediately upon completion of the Share Offer.

REGULATORY COMPLIANCE AND LITIGATION

Our Directors confirmed that our Group has complied with all applicable laws and regulations in all material aspects in Hong Kong and Macau during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Directors confirmed that to the best of their knowledge, they were not aware of any threatened or pending litigation, arbitration or administrative proceedings against our Group or any of our Directors which could have a material adverse effect on our financial condition or results of operations. For further details, please refer to the section headed "Business — Litigation, arbitration and potential claims" of this prospectus.

MATERIAL ADVERSE CHANGE

Based on the audited results for the three months ended 30 June 2017 and the unaudited financial information for the four months ended 31 October 2017, our Directors expect a decline in our Group's profit for the year ending 31 March 2018 mainly due to (i) the increase in forecasted staff costs which was resulted from the expected increase in the number of staff; (ii) the expected increase in listing expenses for the year ending 31 March 2018; and (iii) the increase in forecasted exchange loss for the year ending 31 March 2018.

Our Directors confirmed that, save as disclosed above, there has been no material adverse change in our Company's financial or trading position or prospects since 30 June 2017, being the date of our Company's last audited financial statement as set out in Appendix I to this prospectus, up to the date of this prospectus.

Impact of listing expenses

The total listing expenses in connection with the Share Offer is estimated to be approximately HK$29.9 million, based on the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised, of which approximately HK$14.3 million is directly attributable to the issue of the Share Offer and to be accounted for as a deduction from equity, HK$1.9 million and HK$2.9 million were charged to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ended 31 March 2017 and the three months ended 30 June 2017 respectively and approximately HK$10.8 million is to be charged to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2018. Prospective investors should note the financial performance of our Group for the year ending 31 March 2018 will be materially and adversely affected by the abovementioned listing expense.

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

"Accountants' Report"	the accountants' report included in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** 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 19 December 2017 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	our board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 599,990,000 new Shares to be made upon capitalisation of certain sums standing to the credit of our share premium account as referred to in the section headed "Statutory and general information" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct 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, a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	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
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, 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 (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Twintek Investment Holdings Limited (乙德投資控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 February 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
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and refers to the controlling shareholders of our Company, being Mr. Lo, Ms. Fung and Helios, or any of them
"Deed of Indemnity"	the deed of indemnity dated 19 December 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "E. Other information — 1. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 19 December 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain non-competition undertakings, details of which are set out in the paragraph headed "Relationship with Controlling Shareholders — Deed of Non-competition" of this prospectus
"Director(s)"	the director(s) of our Company
"EUR"	the lawful currency of the member states of the European Union

"Fortuna"	Fortuna Enterprise Holding Limited, a company incorporated in the BVI on 20 January 2017 with limited liability and a direct wholly-owned subsidiary of our Company
"FSC" or "Forest Stewardship Council"	Forest Stewardship Council is an international non-profit, multi-stakeholder organisation established in 1993 to promote responsible management of the world's forests. The FSC does this by setting standards on forest products, along with certifying and labeling them as eco-friendly
"Government"	the Government of Hong Kong
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Helios"	Helios Enterprise Holding Limited, a company incorporated in the BVI on 20 January 2017 with limited liability and a Controlling Shareholder
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting application online at the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the 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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules)

"Industry Report" or "Ipsos Report"	an independent research report commissioned by our Company and prepared by Ipsos
"Ipsos"	Ipsos Limited, an Independent Third Party, being a market research company
"IRO"	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Joint Bookrunners" or "Joint Lead Managers"	Ample Orient Capital Limited and Wealth Link Securities Limited ("Joint Bookrunner" or "Joint Lead Manager" means either of them)
"Kwan Tai HK"	Kwan Tai Engineering Co., Limited (鈞泰工程有限公司), a company incorporated in Hong Kong with limited liability on 26 August 1988 and an indirect wholly-owned subsidiary of our Company
"Kwan Tai Macau"	Kwan Tai Engineering Co. Ltd. or Companhia de Engenharia Kwan Tai, Sociedade Unipessoal Limitada (鈞泰工程一人有限公司) (formerly known as Companhia de Engenharia Kwan Tai, Limitada (鈞泰工程有限公司)), a company incorporated under the laws of Macau on 23 December 2015 and an indirect wholly-owned subsidiary of our Company
"Latest Practicable Date"	19 December 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
"Listing"	the listing of our Shares on the Main Board
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date on which dealing in our Shares first commence on the Main Board
"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
"Macau"	the Macao Special Administrative Region of the People's Republic of China
"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 19 December 2017 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"MOP"	Macau Pataca, the lawful currency of Macau
"Mr. Lo"	Mr. Lo Wing Cheung (盧永錩), an executive Director, chairman and chief executive officer of our Company, a Controlling Shareholder and the spouse of Ms. Fung
"Ms. Lo"	Ms. Lo Pui Ying Janice (盧沛盈), our Group's chief operating officer and the daughter of Mr. Lo and Ms. Fung
"Ms. Fung"	Ms. Fung Pik Mei (馮碧美), an executive Director of our Company, a Controlling Shareholder and the spouse of Mr. Lo
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage fee 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 offered for subscription pursuant to the Share Offer
"Offer Share(s)"	the Public Offer Share(s) and the Placing Share(s), together where relevant, with any additional share(s) issue pursuant to any of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, whereby our Company may be required to allot and issue up to 30,000,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price to cover over-allocations in the Placing as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing"	the conditional placing of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set forth in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Placing Shares"	the 180,000,000 Shares being offered by our Company for subscription under the Placing, subject to reallocation and the Over-allotment Option as described in the section headed "Structure and conditions of the Share Offer" of this prospectus

"Placing Underwriter(s)"	the underwriter(s) of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Sponsor and the Placing Underwriters, particulars of which are summarised in the section headed "Underwriting" of this prospectus
"Policy Address"	the annual address by the Chief Executive of Hong Kong
"Pre-IPO Investments"	the acquisition of Shares by Ms. Lo and Mr. Oscar Lo as Pre-IPO investors, details of which are described in the section headed "Investments by our Pre-IPO investors" under "History, Reorganisation and corporate structure" of this prospectus
"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 (Winding Up and Miscellaneous Provisions) Ordinance
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Global Coordinator (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 Monday, 8 January 2018 or such later date as may be agreed by us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but no later than Monday, 15 January 2018, on which the final Offer Price is to be fixed for the purpose of the Share Offer
"Public Offer"	the offer for subscription of the Public Offer Shares to the public in Hong Kong at the Offer Price (plus brokerage fee 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"	the 20,000,000 Shares being initially offered by our Company for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Public Offer Underwriter(s)"	the underwriter(s) of the Public Offer whose names are set forth in the paragraph headed "Underwriting — Public Offer Underwriters" of this prospectus

"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 28 December 2017 relating to the Public Offer entered into by, among others, our Company, the Sponsor and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting — Public Offer Underwriting Arrangements and Expenses — Public Offer" of this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation arrangements we have undergone in preparation for the Listing which are more particularly described in the section headed "History, Reorganisation and corporate structure" of this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set forth in Appendix V to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.01 each
"Shareholder(s)"	holder(s) of our share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme our Company conditionally adopted on 19 December 2017, the principal terms of which are summarised in the paragraph headed "Statutory and general information — D. Share Option Scheme" in Appendix V to this prospectus
"Sole Global Coordinator"	Ample Orient Capital Limited
"Stabilising Manager"	Ample Orient Capital Limited
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into between Helios and the Stabilising Manager on or about the Price Determination Date

"Sponsor"	Ample Capital Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) 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
"Sun Warm"	Sun Warm Holding Company Limited (新旺控股有限公司), a company incorporated in Hong Kong with limited liability on 3 December 2003 and held as to 50% and 50% by Mr. Lo and Ms. Fung, respectively, and a connected person of our Company
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended 31 March 2017 and three months ended 30 June 2017
"Tristar"	Tristar Building Materials Company (鈞泰建築材料公司), a partnership between Fortune Loy Holdings Limited and United Aim Limited, each owned as to 70% and 30% by Mr. Lo and Ms. Fung, respectively since 1 April 1998 and each a connected person of our Company
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"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
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time and the rules and regulations promulgated thereunder
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or the applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be 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.

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

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

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.

"BEAM"	BEAM programme, a developed version of Building Environmental Assessment Method offered by the Hong Kong Green Building Council Limited. It is a standard that defines the overall quality of a building by its comprehensive assessment
"British Standard 476" or "BS 476"	refers to a guidebook of fire tests designed on building materials and structure. This standard is qualified by the Buildings Department under the "Code of Practice for fire resisting construction 2011". Under the British Standard 476, Part 20 to 24 specifies the fire resistance of elements of construction (general principles), load bearing elements of construction, non-load bearing elements of construction, the contribution of components to the fire resistance of a structure, and the fire resistance of ventilation of a structure
"contract sum"	the original contract sum, without taking into account any variation orders or adjustments
"defect liability period"	the period of time within which the contractor is contractually obliged to return to the construction site to repair defects which are attributable to the contractor's works
"DIN"	Standards published by the German Institute for Standardisation
"European Standard" or "EN"	European Standard published by the European Standardisation Organisations
"EN 12859"	European Standard in relation to gypsum blocks
"E1"	Emission class E1 under European formaldehyde emissions standard
"GDP"	gross domestic product
"GRC"	glass fibre reinforced concrete, a type of fiber reinforced concrete, which is a construction material mainly used in exterior building façade panels and as architectural pre-cast concrete
"gypsum"	a mineral mainly composed of calcium sulfate dehydrate, which is a versatile material and construction material and can be used as a set-controlling agent

"ISO"	International Organisation for Standardisation, a worldwide federation of national standards bodies
"ISO 9001:2015"	quality management system requirements published by ISO
"ISO 14001"	environmental management system requirements published by ISO
"ISO 14025"	environmental product declaration requirements published by ISO
"main contractor"	in respect of a construction project, a contractor appointed by the project employer who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
"method statement"	a document detailing how a particular task or activity will be carried out
"STC"	Sound Transmission Class
"private project(s)"	construction works that are not public project(s). "Private sector" shall be construed accordingly
"public project(s)"	generally refers to construction works commissioned by Government departments, public utility companies and statutory bodies. "Public sector" shall be construed accordingly
"PEFC"	the Programme for the Endorsement of Forest Certification
"subcontractor"	in respect of a construction project, a subcontractor appointed by the main contractor or another contractor involved in the construction, who generally carries out specific work tasks of the construction
"Ten Major Infrastructure Projects"	the ten major infrastructure projects announced in the Policy Address in October 2007, namely, South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line
"Ten-year Hospital Development Plan"	the ten-year hospital development plan announced in the Policy Address in January 2016

"total contract amount"	the total of the contract sum and the amount from variation order(s), if any, or the total revenue recognised from the relevant contract

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", "estimate", "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.

These forward-looking 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 statement 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 operation and business prospects, including development plans for existing and new businesses;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group's business objectives, business, strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operates;
- 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 policy;
- the amount and nature of, and potential for, future development of our Group's business;
- various business opportunities that our Group may pursue;
- fluctuation in the prices of raw materials and our Group's ability to pass-through any increase in price to customers;
- 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;
- the other factors that are described in the section headed "Risk factors" of this prospectus; and
- other factors beyond our Group's control.

We do not intend to update these forward-looking statements in addition to on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. 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 this cautionary statement set out in this section.

In this prospectus, unless otherwise stated, 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.

Prospective investors should consider carefully all of the information presented in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

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

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong; (iv) risks relating to the Share Offer and our Shares; and (v) risks relating to statements in this prospectus.

RISKS RELATING TO OUR BUSINESS

Significant disruptions to the operations of manufacturing suppliers could materially and adversely affect our business, financial conditions and results of operations

Our gypsum block products, timber flooring products and other building materials are supplied by our manufacturing suppliers. They operate independently from us. They manufacture our building materials which would be delivered to our customers' construction sites. Therefore, if our manufacturing suppliers experience significant disruptions to their operation, they may not be able to maintain or increase their production volume or capacity, or they may suffer a significant reduction in their output and sales. Any significant shortage or delay in delivery of building materials could in turn materially and adversely affect our revenue, financial conditions and results of operations.

We are subject to reputation risks related to our products manufactured by our manufacturing suppliers

Our gypsum block products and German branded sports parquet products are manufactured by our manufacturing suppliers and labelled with their trademarks. Therefore, if these products contain defects, fail to satisfy applicable contractual or regulatory requirements or specifications, or otherwise result in product liability or other types of litigation or proceedings against our manufacturing suppliers, our reputation may be adversely affected. We cannot assure that our quality control measures with respect to products manufactured by our manufacturing suppliers will always be effective. If our building materials manufactured by our manufacturing suppliers have defects or otherwise do not meet our quality control standards, our reputation would be materially and adversely affected.

Our engagements with customers are not recurring in nature. There is no guarantee that our existing customers will engage us in future projects

Our customers are mainly building construction companies engaged in either public or private sector construction projects, of which a number of them are recurring customers with our Group. Our revenue may depend on various factors, such as the number and size of projects our customers are awarded, the amount of the contracts subcontracted to us and contracts awarded through a competitive tendering process. During the Track Record Period, we did not enter into any long-term sales agreements with our customers as we have been providing building materials and the relevant installation services to our customers on a project-by-project basis, which was non-recurring in nature. The growth of our business depends on the success of our tendering. For the three years ended 31 March 2017 and the three months ended 30 June 2017, our tender success rate was approximately 60.5%, 55.3%, 51.5% and 50.0% respectively. There is no guarantee that we will be able to secure new contracts from existing or new customers as we expected, or at all, in the future. Our existing customers are not obliged to enter into contracts with us or engage our services for their subsequent projects and we need to undergo a tendering process. Our customers may also choose to engage our competitors for their future construction contracts. If we cannot secure any new contracts or maintain our engagements with our existing customers or new customers, our business, financial conditions and results of operations may be materially and adversely affected.

There is no guarantee that the supplier of our gypsum block products will maintain the distributorship agreement with us and our future profit and market share may be adversely affected

Our Group has become a distributor of the gypsum block products manufactured by the German supplier (the "**German Gypsum Supplier**") in Hong Kong since 2009. Since February 2014, our Group has further become the sole and exclusive distributor of the gypsum block products in Hong Kong, Macau, Malaysia and Singapore, whereby the term of our contract is automatically renewed annually. During the Track Record Period, all gypsum block products for our supply only and supply and installation projects were sourced from the German Gypsum Supplier. For the three years ended 31 March 2017 and the three months ended 30 June 2017, the total revenue generated from supply only and supply and installation of gypsum block products accounted for approximately 37.3%, 38.2%, 54.0% and 38.6% of our total revenue for the respective years/period. We are dependent on the continued supply from the German Gypsum Supplier to maintain our business operations.

However, there is no assurance that we can maintain our relationship with the German Gypsum Supplier and maintain the sole and exclusive distributor arrangement. As a result, we may have to search for other suppliers as substitutes, and this could lead to a significant adverse effect on our business, financial conditions and results of operations if we were unable to find suitable substitute suppliers in a timely manner, on favourable terms or at all. Even if we are able to purchase from other suppliers, they may not be able to provide products with similar quality to us as the German Gypsum Supplier. Our future profits and/or market share could be adversely affected.

We depend on a number of major customers for a substantial portion of our revenue and failure to secure new business with them may materially and adversely affect our business, financial conditions and results of operations

We derive a substantial portion of our revenue from a number of our major customers. For the three years ended 31 March 2017 and the three months ended 30 June 2017, sales to our top five customers accounted for approximately 76.0%, 52.0%, 54.4% and 71.4% of our revenue respectively, while sales to our largest customer accounted for approximately 25.1%, 15.6%, 17.2% and 24.9% of our revenue for the same years/period respectively.

We generally provide our building materials and the relevant installation services to our customers on a project-by-project basis. As such, there is no assurance that we will be able to retain our customers or that they will maintain their current level of business with us in the future, or at all. If there is a significant decrease in business engagements with our major customers for whatever reasons, and we are unable to obtain comparable business engagements as replacement, our financial conditions and operating results would be materially and adversely affected. Meanwhile, if any of our five largest customers during the Track Record Period experiences any liquidity problems, it may result in delay or default of payments to us, which in turn would have an adverse impact on our cash flows and financial conditions.

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

For the three years ended 31 March 2017 and the three months ended 30 June 2017, our revenue amounted to approximately HK$235.4 million, HK$216.9 million, HK$202.3 million and HK$85.3 million respectively. For the same years/period, our gross profit amounted to approximately HK$48.1 million, HK$47.6 million, HK$64.2 million and HK$21.5 million respectively, whereas our gross profit margin amounted to approximately 20.4%, 21.9%, 31.7% and 25.2% respectively. For detailed analysis of our Group's gross profit and gross profit margin, please refer to the paragraph headed ''Financial information — Gross profit and gross profit margin'' of this prospectus.

Given that our provision of building materials and the relevant installation services are on a project-by-project basis, and that our fees and profit margins in respect of the relevant projects are dependent on the price of our tender or quotation, which may be affected by factors that are specific to the project, including (i) the scale, complexity and specifications of the projects; (ii) our capacity; (iii) the estimated project costs (which mainly includes the labour cost and material costs based on the preliminary quotations from our suppliers and subcontractors); (iv) historical fees we received from similar projects; and (v) the current fee level in the market and competitive conditions at the contract negotiation stage, some of which are beyond our control. As such, there is no assurance that we will always be able to maintain similar levels of profitability as those achieved during the Track Record Period.

We rely on subcontractors to undertake installation works for our building materials. Any delay or defect in their works may adversely affect our business, financial conditions and results of operations

During the Track Record Period, our Group offered installation services for our building materials to some of our customers, and we would in turn subcontract such works to our subcontractors.

Engaging subcontractors exposes our Group to risks associated with non-performance, delayed performance or sub-standard performance by them. As a result, we may experience deterioration in quality or delayed delivery of works, incur additional costs due to the delays, or be subject to claims from customers for our subcontractors' unsatisfactory performance. Generally, our customers impose a maintenance period on us, during which we will remain responsible for rectifying any defect discovered in relation to our services provided or works done. Please refer to the paragraph headed "Business — Key project terms — (b) Supply and installation projects — (vi) Maintenance period" of this prospectus for further details.

Our Group would generally withhold up to 10% of progress payments from our subcontractors as retention money, subject to a maximum of 5% of the total contract sum. During the Track Record Period, our Group did not withhold retention money from some of our subcontractors after taking into consideration various factors, such as the length of our business relationships, their reputation, their financial strengths and previous working performance. Please refer to the paragraph headed "Business — Subcontractor — Our subcontracting arrangements — Subcontracting fee and settlement terms" of this prospectus for further details of our arrangements going forward in relation to retention money to be withheld from our subcontractors. In the event that substantive rectifications are required in relation to our subcontractors' works, and where the relevant costs for such rectification work exceed the retention money withheld, we may have to incur additional costs at our expense. If we fail to rectify the defects as required, our customers may not only deduct or forfeit the retention money withheld from us, they may also claim damages from us or cease their business relationships with us. Furthermore, there is no assurance that we may be able to be timely and fully compensated by our subcontractors for their defective services provided or works done. The occurrence of these events may adversely affect our business, results of operations and reputation. Moreover, our subcontractors are subject to various laws, rules and regulations, such as those in relation to work site safety and illegal workers. There is no assurance that there will not be any violation by our subcontractors, whether substantial or minor in nature, of any laws, rules or regulations. If such violation occurred and results in fines, claims or lawsuits, either associated with personal injuries, death or damages to properties against us or otherwise, our reputation, operations and hence our financial position could be adversely affected.

If retention monies are not released to us in a timely manner and in full, our liquidity position may be adversely affected

In relation to our supply of building materials and the relevant installation services, pursuant to the relevant contracts, certain percentage of progress payments made to us of up to 10% of the value of our works done at each progress payment maybe withheld by our customers as retention money. Please refer to the paragraph headed "Business — Key project terms — (b) Supply and installation projects — (v) Completion and retention monies" of this prospectus. Generally, half of the retention money is released to us upon or soon after certification of our final progress payment application by our customers, and the remaining half is usually released to us upon the end of the maintenance period, which would normally take place one to two years from the date of certification of our final progress payment application or the completion of the entire project by our customers or the main contractors, depending on the terms of the contract between our Group and our customers.

As at 31 March 2015, 2016 and 2017 and 30 June 2017, the amount of retention money unsettled by our customers amounted to approximately HK$14.5 million, HK$18.2 million, HK$15.2 million and HK$17.2 million respectively. For the three years ended 31 March 2017 and the three months ended 30

June 2017, the impairment loss on retention monies receivables amounted to nil, nil, approximately HK$0.2 million and nil respectively. There is no assurance that the retention money currently held by our customers or any future retention money will be released by our customers to us in a timely manner and in full. We could be engaged in prolonged negotiations with our customers with respect to the settlement of retention monies. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position. Any failure by our customers to eventually repay the amount to us may have a material adverse effect on our operating results.

We are required to maintain a sufficient level of working capital to sustain our business operations and failure to do so may materially and adversely affect our business, financial conditions and results of operations

We are required to maintain a sufficient level of working capital on a continuous basis to fund our business operations, including purchasing materials and incurring subcontracting fees in advance for the provision of our building materials and the relevant installation services. Typically, our Group is required to pay operating expenditures to our subcontractors periodically during the course of their work at the construction sites. Meanwhile, progress payments will only be paid to us after our construction works have been certified by our customers. Based on our Group's experience, this certification process may take a long time and be subject to negotiation with our customers. For the three years ended 31 March 2017 and the three months ended 30 June 2017, we recorded positive net cash flows from operation activities of approximately HK$14.9 million, HK$1.2 million, HK$22.9 million and HK$2.2 million respectively. However, our operating cash flows may be adversely affected by a variety of factors, such as (i) macroeconomic factors that may lead to delay in payment of our progress payments from our customers; or (ii) mismatch of cash inflow and cash outflow for our provision of building materials and the relevant installation services. In the event that we fail to maintain a sufficient level of working capital, our business, financial conditions and results of operations may be materially and adversely affected.

We determine the tender price based on our estimation of the time and costs involved, which may not be accurate. Any material deviation may lead to losses in our projects

We determine the tender price based on our estimated project costs plus a mark-up margin. We have to maintain the competitiveness of our pricing while maximising our profit margin. If we perceive keen competition on a particular project, we may submit a more competitive tender price with a lower mark-up margin, thereby reducing our profitability. If the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. On the other hand, if we try to cater for the unfavourable circumstances and set a significant mark-up margin, our tender may become uncompetitive. There is no assurance that we will always be able to price our tenders competitively, and failing to do so may cause us to lose in the tenders, thereby resulting in a decrease in the number of projects awarded to us, which in turn would adversely affect our business and results of operations.

Most of our contracts with customers have a fixed and pre-determined contract sum throughout the contract period without any price adjustment mechanisms to accommodate any fluctuations in costs. As there is no assurance that the costs estimated for our tenders are accurate, we have to bear the risk of cost fluctuations accordingly. Cost overrun may result from inaccurate estimation of costs, disputes with parties involved in the project, changes in the regulatory requirements and Government policies, inflation and unforeseen problems and circumstances. Any of these may also give rise to delays in completion of works or even unilateral termination of contracts by our customers due to unsatisfactory performance. If we are unable to control our costs within our estimates or recover the extra costs, our profit margin and results of operations may be adversely affected.

Our success is dependent on the retention of key management personnel

Our success and growth have been largely attributable to the contributions and experiences of our key management personnel and, in particular, their extensive experience in the building materials industry and the building construction industry in Hong Kong. Our industry knowledge and experience enable us to respond promptly to customers' queries or enables us to make recommendations to our customers regarding their intended use of our building materials.

In particular, our chairman, chief executive officer and one of our executive Director, Mr. Lo, who has been with our Group since our incorporation, has had a long history of working with our customers, subcontractors and manufacturing suppliers, and understand their requirements. For details of our executive Directors and senior management, please refer to the section headed "Directors, senior management and employees" of this prospectus. If we are unable to retain our key management personnel in their present positions due to illness, accident or resignation without adequate prior notice, we may not be able to replace them easily, or at all.

We may be unable to implement our business strategies effectively

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies, including (i) maintaining and strengthening our market position in Hong Kong; (ii) expanding our range of products and scope of services; and (iii) continuing to recruit talents and enhancing internal training to support future growth. Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our customers, the spending by the Government on building construction and infrastructure projects, the prospects for future private residential development projects, the availability of our management, financial, operational and other resources, and market competition. In the event that we are unable to implement these strategies, each of which may be subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business, financial position and results of operations may be materially and adversely affected.

Our insurance may not fully cover the potential claims and losses arising from our operations

We believe that the insurance policies currently adopted by us are in line with industry practice. For further details about our insurance policy, pleases refer to the paragraph headed "Business — Insurance" of this prospectus. However, certain types of risks, such as liabilities arising from acts of God or other natural disasters and risks in relation to the collectability of trade and retention monies receivables, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. Our Group also obtained insurance for the cargo transportation of gypsum block products from the manufacturing supplier in Germany to Hong Kong. In addition, contractors' all risks insurance generally covers only the construction period, we may therefore face claims arising from latent defects (i.e. defects that are existing but not yet discovered, developed or visible) found in the building materials supplied or installed by us or our subcontractors. In the event that an uninsured liability arises, we may suffer losses which may adversely affect our financial position.

In addition, we cannot guarantee that our insurers or those of the developers or the main contractors will fully compensate us for potential damages or liabilities relating to our liabilities under employee compensation and personal injury claims in relation to accidents occurred during our installation works. Further, we may be subject to reduction or limitation of insurance coverage or increase of insurance premiums by insurers upon the expiry of the current policies, or required by laws or customers to obtain additional insurance coverage in the future. Any further increase in insurance costs or reduction in coverage may materially and adversely affect our business, financial conditions and results of operations.

We are exposed to foreign exchange risks and any fluctuation in the exchange rates of Hong Kong dollars may affect our financial performance

During the Track Record Period, most of our sales are denominated in Hong Kong dollars while some of our purchases are denominated in foreign currencies, including EUR, USD and RMB. Therefore, we are exposed to foreign exchange risks to the extent that our receipts from our customers in Hong Kong dollars do not match with the respective payments to our suppliers that are denominated in foreign currencies.

Fluctuations in the exchange rates between Hong Kong dollars and the foreign currencies in which some of our purchases are denominated may adversely affect our financial performance and profitability. Our Group has adopted a hedging policy to minimise the foreign exchange risk arising from the settlement of purchase of materials. Finance Department would daily monitor the relevant exchange rate, estimate future usage of the relevant foreign currency, seek advice from the financial institutions and initiate foreign exchange financial instruments when appropriate. Details terms and conditions of the financial instruments should be reviewed by the financial controller and finally approved by our Directors.

We engage third party logistics service providers for delivering our building materials and may not be able to claim for loss or damage in relation to the delay in delivery and/or damage to our building materials during the transportation process

During the Track Record Period, we generally engaged third party logistics service providers to deliver our building materials to our customers' construction sites. Our transportation expenses amounted to approximately HK$5.3 million, HK$5.3 million, HK$9.0 million and HK$2.9 million for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively. In the event that third party logistics service providers fail to deliver our building materials in accordance with the agreed delivery schedule, the construction work of our customers' projects may be interrupted. Due to such interruption, we may be subject to claims requested by our customers and our business relationships with our customers may be adversely affected. Consequently, our business, financial conditions and results of operations may be materially and adversely affected.

In addition, as we do not purchase any insurance in relation to the local transportation of our building materials by third party logistics service providers, and we cannot assure that our logistics service providers have sufficient insurance coverage for loss or damage to our building materials, we may not be able to claim for any loss or damage to our building materials during the transportation process, which could materially and adversely affect our business, financial conditions and results of operations.

Our customers may provide us with variation orders, and the additional fees may not be negotiated until after the work is performed

For the supply of our building materials together with the relevant installation service, our customers may require additional services or changes in the design or specifications, and provide us with variation orders from time to time. As the fees for variation orders are not covered in the original contract sum, such additional fees involved will need to be assessed by or negotiated with our customers. Given the tight schedule of construction projects, we usually instruct our subcontractors to commence works in relation to the variation orders before we are able to negotiate the relevant fees with our customers. Meanwhile, as long as we have instructed our subcontractors to commence works, we would incur additional costs. In the event that our customers disagree with us on fees relating to the variation orders, or where fees eventually agreed are less than the related additional costs, our results of operations, liquidity and financial position may be adversely affected.

We face risks in relation to the collectability of our trade receivables

In relation to the supply of our building materials, our Group normally records trade receivables after delivery of our products and expects to receive payments from our customers within the credit period. A credit period (other than for retention monies receivables) of up to 60 days is normally granted by us to our customers. However, there can be no assurance that our customers will settle our payments on time and in full. As at 31 March 2015, 2016 and 2017 and 30 June 2017, we recorded trade receivables of approximately HK$45.9 million, HK$36.9 million, HK$32.6 million and HK$34.6 million respectively, of which approximately HK$21.8 million, HK$10.6 million, HK$8.4 million and HK$10.5 million respectively were past due but not impaired. For the three years ended 31 March 2017 and the three months ended 30 June 2017, our debtors' turnover days (excluding retention monies receivables) were 59 days, 70 days, 63 days and 36 days respectively, which were longer than the credit period granted by us to our customers. For the three years ended 31 March 2017 and the three months ended 30 June 2017, the impairment loss on trade receivables amounted to approximately HK$0.6 million, nil, HK$0.1 million and HK$0.3 million respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial position.

We are subject to interest rate risk

As at 31 March 2017 and 30 June 2017, our Group had interest-bearing bank borrowings of approximately HK$40.9 million and HK$40.3 million respectively. Our Group has not hedged against the respective interest rate risks. Most of our current interest-bearing bank borrowings have a floating interest rate. Should there be an increase in interest rate in the future, our interest expenses may increase and our cash flows and profitability may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our performance relies on the availability of construction projects in Hong Kong and Macau

Our Group's results of operations are affected by the number and availability of building construction and infrastructure projects in Hong Kong and Macau, which in turn are affected by various factors beyond our control. In Hong Kong, these factors include, but are not limited to, the general economic condition in Hong Kong, changes in Government policies relating to the Hong Kong construction industry and the amount of investment in the construction of new residential and commercial buildings, infrastructure projects and improvement of existing residential and commercial buildings. The case in Macau is similar to Hong Kong, except that the general conditions of the hospitality and entertainment construction market as well as the government policies relating to it are additional but significant factors in Macau. In both Hong Kong and Macau, a downturn in the construction industry may result in a significant decrease in the number of projects available. There is no assurance that the number of construction projects will not decrease in the future, which may cause our Group's results to be adversely and materially affected.

The industry may face periodic shortage of labour

According to the Industry Report, the construction industry in Hong Kong may face periodic shortage of labour due to insufficient number of workers available. If our subcontractors are unable to recruit or retain sufficient workers or fail to effectively manage our staff costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

We have to procure our subcontractors to comply with a number of applicable construction, safety, environmental protection laws, regulations and requirements

In relation to our installation service, we have to procure our subcontractors to comply with a number of construction, safety, environmental protection laws, regulations and requirements in Hong Kong. In the event that our subcontractors fail to meet the applicable construction, safety, environmental protection laws, regulations and requirements, our subcontractors may be subject to fines or required to make remedial measures which may in turn have an adverse effect on the reputation, operations and financial conditions of our Group. In addition, there is no assurance that the construction, safety, environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to these laws, regulations and requirements applicable to us or our subcontractors, we may incur additional costs in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong

During the Track Record Period, our revenue was principally generated from the Hong Kong market. Accordingly, our business, financial results and prospects are affected by Government policies, political environment, economic and legal development in Hong Kong. In particular, events such as demonstrations and protests may directly and adversely affect our financial and operational positions.

Political objections may delay the approval of some public construction projects

Certain public construction projects require approvals from the Legislative Council of Hong Kong and/or its committee. Therefore, any political objections by law-makers and/or protests or legal actions by affected individuals or entities affecting the operation of the Legislative Council of Hong Kong and/or its committee may delay such approval. Since some of customers are main contractors in Hong Kong engaging in public projects, the delay in commencement of public projects may directly affect the demand of our building materials and our results of operation if we are not able to secure projects at the same or similar level. Further, any political and social instability in Hong Kong, if significant and prolonged, could have a material adverse effect on our business, financial conditions, results of operations and prospects.

Adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics and other disasters could materially and adversely affect the economic conditions in Hong Kong

Adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics and other disasters which are beyond our control may reduce the number of workdays and therefore hinder our Group's operations and may incur additional operational costs. These events may also materially and adversely affect the economic conditions in Hong Kong and in turn our business and financial results. Adverse weather conditions, natural disasters, potential wars, terrorist attacks and riots may cause damage or disruption to us, and to our employees, customers and markets or may cause material economic downturn in the affected areas, which may materially and adversely affect our revenue, overall operating results and financial conditions. Potential wars or terrorist attacks may also cause uncertainties to the economic condition of Hong Kong.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

There has been no prior public market for our Shares, and if an active trading market for our Shares does not develop, the price of our Shares may decline below the Offer Price

Prior to the Share Offer, no public market for our Shares existed. We cannot assure our investors that an active trading market for our Shares will be developed or be maintained following completion of the Share Offer. The Offer Price for our Shares is expected to be fixed by the Price Determination Agreement, and may differ significantly from the market price of our Shares following the Share Offer. In addition, we cannot assure our investors that our Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price.

Additional equity fund raising may cause dilution in shareholding

After the Listing, we may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to existing operations, any acquisitions or otherwise. Such fund raising activities may be made through the issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders. In such event, the percentage ownership of our existing Shareholders may be reduced and/or such newly issued securities may have rights, preferences or privileges superior to those of the Shares held by our existing Shareholders.

Future disposal or perceived disposal by our existing Shareholder of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

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

The interests of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders

Our Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

There is no assurance that we will pay dividends in the future

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our results of operations, financial conditions, future prospects and other factors which our Directors may determine are important. For further details of our dividend, please refer to the paragraph headed "Financial information — Dividend" of this prospectus. We cannot assure investors when or whether dividends will be paid in the future.

The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors

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

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

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

Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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 Companies Law on protection of minorities Shareholders is set out in Appendix IV to this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Certain statistics and industry information in this prospectus have been obtained from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed "Industry overview" and elsewhere in this prospectus have been derived from various publications and resources prepared by the Government or Independent Third Parties. We believe that the sources of the said information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Neither our Group, our Directors, the Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to the accuracy of such information and statistics. As such, these statistics and data should not be unduly relied upon.

Investors should read the entire prospectus and should not place reliance on any information (if any) contained in press articles or other media coverage regarding us and the Share Offer

Prior to the publication of this prospectus, there may be press and media coverage which contain certain information referring to us and the Share Offer that does not appear in this prospectus. We have not authorised the disclosure of such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on such information.

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which comprises the Public Offer and the Placing. For applicants under the Share Offer, this prospectus and the Application Forms set out the terms and conditions of the Share Offer.

The Listing is sponsored by the Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Share Offer is managed by the Sole Global Coordinator. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around Monday, 8 January 2018 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, but in any event no later than Monday, 15 January 2018 (Hong Kong time). If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the 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 Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the United States of America, except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE SHARE OFFER

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 Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Share Offer.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions 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.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

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

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our branch register of members to be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Our principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Maples Fund Services (Cayman) Limited.

Dealings in Shares registered in our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong branch register of members may be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, agents, employees or advisors and any other person involved in the Share Offer accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to apply for Public Offer Shares" of 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" of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interests and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

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

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

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, 17 January 2018.

The Shares will be traded in board lots of 8,000 Shares each.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this prospectus are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

EXCHANGE RATES CONVERSION

For exchange rates translations throughout this prospectus (if any), we make no representation and none should be construed as being made, that any of the HK$, EUR, RMB, MOP or USD amounts contained in this prospectus could have been or could be converted into amounts of any other currency at any particular rate or at all on such date or any other date.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Lo Wing Cheung (盧永錩)	Flat 2, 8/F, Block A Winfield Building 3 Ventris Road Happy Valley Hong Kong	Chinese
Ms. Fung Pik Mei (馮碧美)	Flat 2, 8/F, Block A Winfield Building 3 Ventris Road Happy Valley Hong Kong	Chinese
Non-executive Director		
Mr. Wan Ho Yin (溫浩然)	Flat A, 4/F No. 37 Broadway Mei Foo Sun Chuen Kowloon	Chinese
Independent non-executive Directors		
Mr. Shu Wa Tung Laurence (舒華東)	No. 186, Santa Villa 158 Xu Ying Road, Xu Jing Qing Pu District Shanghai PRC	Chinese
Mr. Tam Wai Tak Victor (譚偉德)	Flat D, 9/F., Block 9 Royal Ascot Fotan New Territories Hong Kong	Chinese
Mr. Tam Wing Lok (譚永樂)	Flat D, 2/F., Block 1 1 Lung Ping Road, Phase 1 Beacon Heights Kowloon Tong Kowloon	Chinese

For further details, please refer to the section headed "Directors, senior management and employees" of this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	**Ample Capital Limited** Unit A, 14/F., Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong *(A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)*
Sole Global Coordinator	**Ample Orient Capital Limited** Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under SFO)*
Joint Bookrunners and Joint Lead Managers	**Ample Orient Capital Limited** Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)* **Wealth Link Securities Limited** Unit B1, 5/F Guangdong Investment Tower 148 Connaught Road Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)*
Co-Lead Managers	**AFG Securities Limited** Room B, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

	Aristo Securities Limited Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*
Co-Manager	**China Galaxy International Securities (Hong Kong) Co., Limited** 20/F, Wing On Centre 111 Connaught Road Central Hong Kong *(A licensed corporation carrying on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO)*
Legal advisers to our Company	*As to Hong Kong law:* **CFN Lawyers in association with Broad & Bright** 27/F, Neich Tower 128 Gloucester Road Wanchai, Hong Kong *As to Macau law:* **Nuno Simões & Associates** Alameda Dr. Carlos D'Assumpção No. 336 Cheng Feng Commercial Center, 17.°Andar., O, Macau *As to Cayman Islands law:* **Maples and Calder (Hong Kong) LLP** 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	*As to Hong Kong law:* **Addleshaw Goddard (Hong Kong) LLP** 802–804 Champion Tower 3 Garden Road Central Hong Kong

Auditor and Reporting Accountant	**SHINEWING (HK) CPA Limited** *Certified Public Accountants* 43/F., Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
Market research consultant	**Ipsos Limited** 22nd Floor, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Property valuer	**BMI Appraisals Limited** 33rd Floor, Shui On Centre 6–8 Harbour Road Wan Chai Hong Kong
Receiving Bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC 3 Garden Road Central Hong Kong

Registered office in the Cayman Islands	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head office and principal place of business in Hong Kong	Room 806, 8/F Eastern Centre 1065 King's Road Quarry Bay Hong Kong
Company's website	**www.kwantaieng.com** *(Note: the information contained in this website does not form part of this prospectus)*
Authorised representatives	**Mr. Lo Wing Cheung** Flat 2, 8/F., Block A Winfield Building 3 Ventris Road Happy Valley Hong Kong **Ms. Fung Pik Mei** Flat 2, 8/F., Block A Winfield Building 3 Ventris Road Happy Valley Hong Kong
Company secretary	**Mr. Chau Ka Ho** *Certified Public Accountant, Chartered Financial Analyst* Room A 14/F Fully Building 70 Wan Chai Road Hong Kong
Members of Audit Committee	Mr. Shu Wa Tung Laurence *(Chairman)* Mr. Wan Ho Yin Mr. Tam Wai Tak Victor Mr. Tam Wing Lok
Members of Remuneration Committee	Mr. Tam Wing Lok *(Chairman)* Mr. Lo Wing Cheung Mr. Shu Wa Tung Laurence Mr. Tam Wai Tak Victor

Members of Nomination Committee	Mr. Lo Wing Cheung *(Chairman)* Mr. Shu Wa Tung Laurence Mr. Tam Wai Tak Victor Mr. Tam Wing Lok
Principal share registrar and transfer office in the Cayman Islands	**Maples Fund Services (Cayman) Limited** PO Box 1093 Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Hong Kong **The Bank of East Asia, Limited** 10 Des Voeux Road Central, Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** Level 16, HSBC Main Building 1 Queen's Road Central, Hong Kong

We have extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

We commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of the building construction timber flooring and gypsum blocks supply industry in Hong Kong, at a fee of HK$575,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company and consulting company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Founded in Paris, France in 1975 and publicly-listed on the NYSE Euronext Paris since 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the acquisition, Ipsos became one of the largest market research and consulting companies in the world, which employs approximately 16,000 personnel worldwide across 88 countries.

Research methodology

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts in Hong Kong, including developers, architects, main contractors, industry experts and associations. The information and statistics set forth in this section have been extracted from the Ipsos Report.

Assumptions and parameters used in the Ipsos report

Forecast data was projected based on historical data regarding macro-economic factors as well as industry-specific drivers and the development of the building construction industry. The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report.

- It is assumed that the supply of and demand in the building construction industry, and the building construction timber flooring and gypsum block supply industry in Hong Kong will remain stable and develop over the forecast period; and

- It is assumed that there will be no external shocks such as financial crises or natural disasters which could affect the demand and supply in the building construction industry in Hong Kong, and the building construction timber flooring and gypsum block supply industry in Hong Kong during the forecast period, and that the growth of global economy remains steady during the forecast period.

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

Except as otherwise stated, all of the data and forecasts contained in this section are derived from the Ipsos Report.

The following parameters have been taken into account in the preparation of the Ipsos Report:

- GDP and GDP growth rate in Hong Kong from 2012 to 2016;
- GDP per capita in Hong Kong from 2012 to 2016;
- total number of public rental housing units produced by Hong Kong's Housing Authority from 2012 to 2016;
- total number of private residential housing units in newly completed projects in Hong Kong from 2012 to 2016;
- private domestic residential price indices in Hong Kong from 2012 to 2016;
- gross floor area of private residential units completed in Hong Kong from 2012 to 2016;
- gross floor area of private commercial space completed in Hong Kong from 2012 to 2016;
- gross floor area of private office space completed in Hong Kong from 2012 to 2016;
- total number of building construction timber flooring suppliers in Hong Kong in 2016;
- total number of gypsum block suppliers in Hong Kong in 2016;
- total revenue of the building construction timber flooring supply industry in Hong Kong from 2012 to 2016;
- total revenue of the gypsum block supply industry in Hong Kong from 2012 to 2016; and
- price trends of non-coniferous wood and gypsum plaster import to Hong Kong from 2012 to 2016.

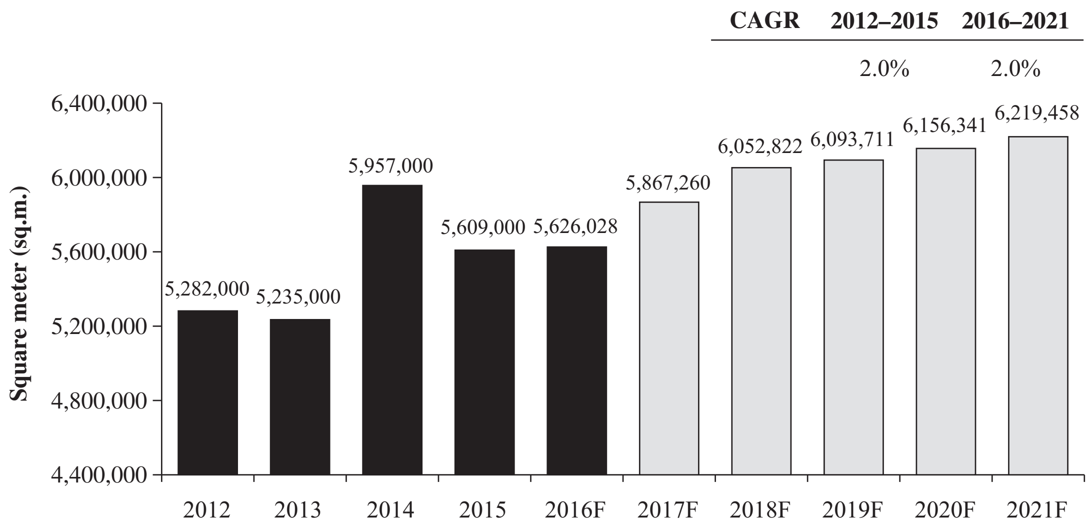
MACROECONOMIC SITUATIONS AFFECTING THE BUILDING CONSTRUCTION TIMBER FLOORING AND GYPSUM BLOCK SUPPLY INDUSTRY IN HONG KONG

The development of the building construction timber flooring and gypsum block supply industry is closely related to the development of the real estate industry in Hong Kong. Construction of new buildings, alteration and additions projects, and repair and maintenance projects are key drivers of demand for timber flooring products and gypsum block materials that are used in interior building construction and finishing. In view of the growing population and continuing shortage of housing supply in Hong Kong, between 2011 to 2016, the Hong Kong government announced comprehensive plans to boost the housing supply in Hong Kong according to the Annual Policy Address. The number of private residential housing units increased from 10,150 units in 2012 to 14,595 units in 2016 at a CAGR of approximately 9.5%, and number of public residential units completed increased from 11,186 units in 2012 to 14,264 units in 2016 at a CAGR of approximately 6.3%. In addition, the Ten Major Infrastructure Projects were introduced to improve Hong Kong's public infrastructure. The significant public investment on infrastructure, residential and commercial buildings, offices and other public facilities affiliated with the project is expected to drive the demand for interior building materials including gypsum blocks and timber flooring materials.

Further, under the "Long Term Housing Strategy" announced by the Transport and Housing Bureau of Hong Kong in 2014, the Hong Kong government has set targets to increase (i) public housing supply; and (ii) land supply for private residential developments to mitigate the housing supply shortage issue in Hong Kong. The New Development Areas (the "**NDA**") set forth by the Government, such as Kwu Tung North NDA, Fanling North NDA, Hung Shui Kiu NDA, Yuen Long South, and the North Lantau including Airport North Commercial District and Tung Chung New Town, will also lead to the increase in the construction of ancillary structures to complement new residential community and development areas such as commercial centres, offices, and community services. According to the "Long Term Housing Strategy Annual Progress Report 2016", there will be a total of approximately 460,000 units of housing supply from 2017–18 to 2026–27. With the objective to increase housing supply with a public-to-private ratio of 60:40, approximately 280,000 public housing units and approximately 180,000 private housing are targeted to be completed under this strategy.

Gross floor area of private residential units completed in Hong Kong

The chart below sets forth the gross floor area of private residential units completed in Hong Kong from year 2012 to 2021.

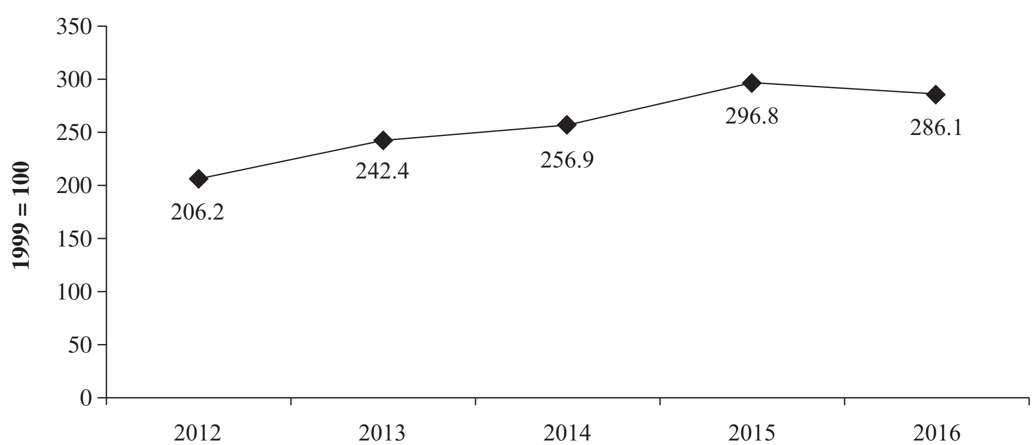


Sources: Census and Statistics Department, HKSAR; Ipsos Report

The development of building construction timber flooring and gypsum block supply industry was closely related to the development of the real estate industry in Hong Kong. The gross floor area of private residential units completed in Hong Kong increased from approximately 5,282,000 sq.m. in 2012 to approximately 5,609,000 sq.m. in 2015, at a CAGR of approximately 2.0%. It is forecasted to increase from approximately 5,626,028 sq.m. in 2016 to approximately 6,219,458 sq.m. in 2021, at a CAGR of approximately 2.0%. The gross floor area of private residential units completed in Hong Kong is expected to increase from year 2016 to 2021 attributable to Government policies to increase housing supply under the "Long Term Housing Strategy" and to increase a total of 28 new residential sites under the 2017–2018 Land Sales Programme.

Private domestic residential price indices in Hong Kong

The chart below sets forth the private domestic residential unit price indices in Hong Kong from year 2012 to 2016.



Sources: Rate and Valuation Department, HKSAR; Ipsos Report

Private domestic residential units price indices are indicators to reflect the trend of private residential unit prices in the housing market in Hong Kong. Private domestic residential units price indices in Hong Kong increased from 206.2 in 2012 to 286.1 in 2016 at a CAGR of approximately 8.5%.

The price indices peaked in 2015 since 1997. Although the annual price indices dropped in 2016 starting from the fourth quarter of 2015, there was a consecutive ten-month growth from March 2016 to December 2016.

With increasing prices of private residential units in Hong Kong, more property buyers in Hong Kong are looking for units completed with suitable and quality interior finishing and fixings to avoid having to spend more time or costs on any potential renovation works to the unit.

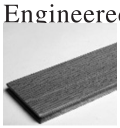
Regulations and safety codes affecting the timber flooring and gypsum block supply industry in Hong Kong

Regulations on structural safety, water damage prevention, and fire safety codes determine the type of flooring materials to be used for different areas. For example, flooring materials for kitchen and latrine areas under the Building (Planning) Regulations (Cap. 123F of the Laws of Hong Kong) restricts flooring materials in these areas to be covered by non-absorbable material. The type of wall in building construction (such as exterior or interior, load bearing and non-load bearing) also determines the type of wall-fill material that is suitable to maintain structural safety of the whole building. For both floor and wall compartments, according to the "Code of Practice for Fire Resisting Construction 2011", every element of construction and every compartment wall or compartment flooring is required to have a fire resistance period of one hour. In addition, according to the British Standards 476, particularly part 20 to 24: 1987, compartment walls and floors are required to satisfy several criteria including stability, integrity and insulation.

MARKET OVERVIEW OF THE BUILDING CONSTRUCTION TIMBER FLOORING SUPPLY INDUSTRY IN HONG KONG

Construction of new buildings, alteration and additions, repair and maintenance of existing buildings spurs demand for timber flooring products and the relevant installation services. An increase in newly completed floor area in Hong Kong, particularly in residential units where timber flooring is most commonly used, will drive the market for building construction timber flooring supply industry.

Major types of timber flooring products in Hong Kong

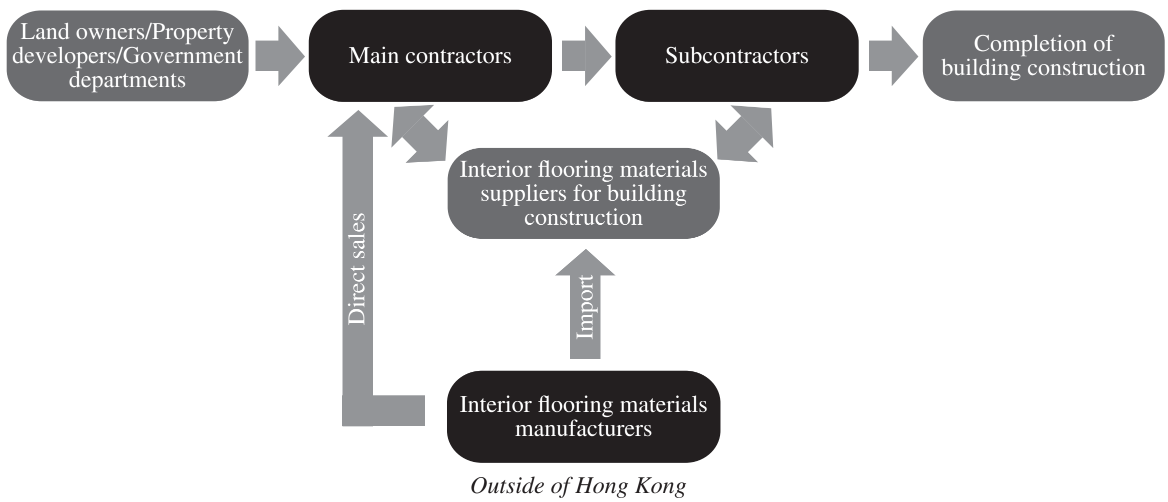
Key types	**Description**
Engineered wood 	• It is made by bonding multiple layers of plywood together to create strong adhesiveness. Solid wood is added on the top layer to recreate the natural feel and appearance of traditional solid wood; • it is resistant to moisture, scratches and buckling; and • it is moderately easy to be installed as it is stapled or glued to the sub-floor.
Laminated wood 	• It is made mainly of a moisture resistant high density fiberboard (HDF); • it provides stability, durability, moisture resistance and sound absorption; and • it is very easy to be installed as no adhesive or nail is required for installation.

Source: Ipsos Report

The key types of timber flooring products commonly used in Hong Kong are engineered wood and laminated wood, while solid wood flooring is less common in Hong Kong given its higher product price and high installation cost as compared to engineered wood and laminated wood. In addition, solid wood flooring requires frequent maintenance to maintain its durability and the aesthetic of solid wood over time under the humid climate in Hong Kong. Engineered wood is resistant to moisture and often has higher surface durability compared to solid wood flooring. Engineered wood panels are pre-cut with grooves for easy installation while also providing the same wood grain aesthetic of traditional solid wood flooring panels. In comparison to engineered wood, laminated wood has less wood content, but is often used as an economical and highly durable wood-grained flooring substitute to both engineered wood and solid wood to meet aesthetic and design requirements. Similar to engineered wood, laminated wood is also time efficient in regards to installation where no adhesive or nail is required during installation.

Supply chain analysis

The graph below sets forth the value chain of the building construction timber flooring supply industry.



Source: Ipsos Report

The value chain of building construction timber flooring supply industry typically involves four major groups of participants, including timber flooring materials manufacturers, timber flooring material suppliers, contractors and property owners including land owners, property developers and governmental departments. Building construction timber flooring suppliers import and distribute timber flooring materials mainly to building construction contractors and subcontractors. In general, building construction timber flooring suppliers carry timber flooring materials from international flooring brands as their agents and distributes their products in Hong Kong. Major timber flooring materials suppliers are often engaged as part of the building construction process to provide timber flooring materials together with the relevant installation services. It is common for some of the smaller interior flooring materials suppliers to only provide timber flooring materials without the relevant installation services.

The major types of clients in the industry are building construction contractors and property developers. Building construction contractors who require great amount of timber flooring materials for their building construction projects, would procure timber flooring materials directly from timber flooring suppliers.

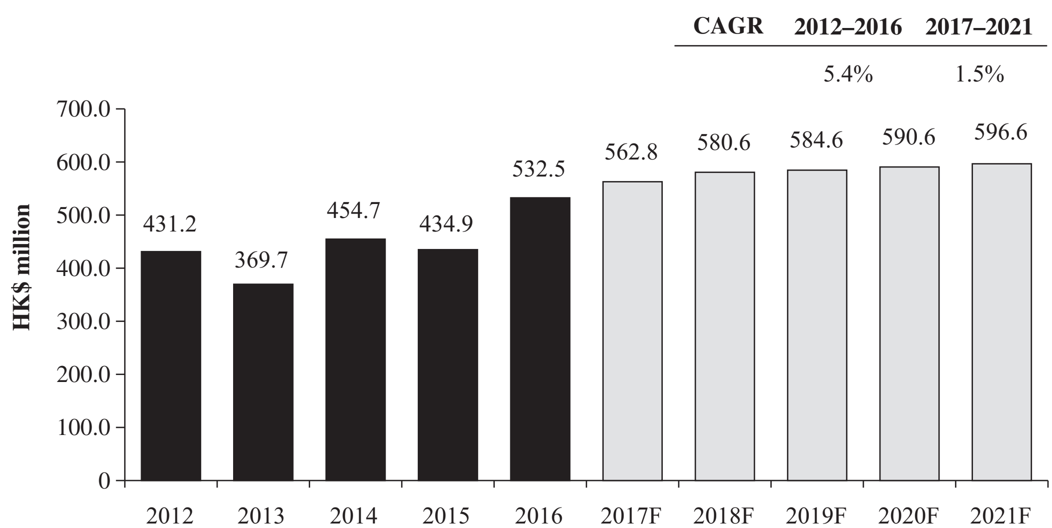
With minimal local timber resources and manufacturing activities, the majority of timber flooring products sold in Hong Kong are imported and manufactured overseas. Without a thorough understanding of the local construction market landscape and established network, foreign timber flooring materials manufacturers may have difficulties in establishing demand with major customers such as main contractors and subcontractors of construction projects.

Furthermore, the provision of timber flooring installation services is an additional barrier to foreign manufacturers. Interior flooring materials suppliers for building construction in Hong Kong commonly provide installation services in addition to material supply to their customers, where good craftsmanship and finishing are essential to showcase the quality of the timber flooring. Given the above, it is preferred by the main contractors or subcontractors to outsource the relevant installation services to specialised timber flooring materials suppliers. Without the ability to provide such installation services, foreign manufacturers may encounter difficulties in competing with the local building material suppliers who can supply timber flooring products together with the relevant installation services to ensure a smooth flooring construction process. Given the above reasons, foreign manufacturers tend to sell their products in Hong Kong through partnership with local building materials suppliers, who can serve various customers while handling the marketing and management of flooring installation works.

Despite the common practice of partnership between foreign manufacturers and local building materials suppliers, some foreign manufacturers may also conduct direct sales with main contractors and subcontractors in Hong Kong. Direct sales are more common if the main contractor or subcontractor owns its procurement and installation team and meets order quantity volumes to directly import from foreign manufacturers.

Revenue of the building construction timber flooring supply industry in Hong Kong

The chart below sets forth the revenue of the building construction timber flooring supply industry in Hong Kong from year 2012 to 2021.



Sources: Census and Statistics Department, HKSAR; Ipsos Report

The revenue of the building construction timber flooring supply industry in Hong Kong grew from approximately HK$431.2 million in 2012 to approximately HK$532.5 million in 2016, at a CAGR of approximately 5.4%. Timber flooring is commonly used in private residential units, as well as a choice of flooring surface for spaces where there is less foot traffic, particularly, where less footwear is applied to flooring surfaces. In recent years, the demand for timber flooring products from 2012 to 2016 was increasing due to the increase in the number and saleable area of newly completed private domestic properties. The total number of newly completed private domestic properties grew from 10,149 units in 2012 to 14,595 units in 2016, whereas the total saleable area of these newly completed private domestic properties grew from approximately 558,000 sq.m. in 2012 to approximately 637,000 sq.m. in 2016, according to the Census and Statistics Department of Hong Kong. As a result of the Hong Kong government's initiative to increase housing supply in Hong Kong, the number of private residential construction projects increased, which in turn led to an increase in demand for all interior building materials, including timber flooring products from 2012 to 2016. The decrease of the industry's revenue in 2013 was partly attributable to the drop in total number of newly completed private domestic properties in 2013, as a result of policy change and market fluctuation, which led to construction delays. Such delay indicated a decrease in demand for timber flooring products.

The revenue of the building construction timber flooring supply industry in Hong Kong is expected to grow from approximately HK$562.8 million in 2017 to approximately HK$596.6 million in 2021, at a CAGR of approximately 1.5%. In view of a growing population and constant demand for housing in Hong Kong, the Hong Kong government announced plans to increase supply of public and private housing. According to the 2017–18 Policy Address, a total of approximately 94,000 private residential units will be available in the next five years. This expected growth in private housing supply, which indicates a higher demand for interior building materials, will support the revenue growth of building construction timber flooring supply industry.

Future trends and development

Environmentally friendly timber flooring products

The Hong Kong government has encouraged the use of construction materials with an environmental focus, such as pre-cast construction materials to reduce construction wastage in Hong Kong. This environmentally friendly trend is emerging in the building construction timber flooring supply industry in Hong Kong. In order to encourage wastage reduction in the building construction industry, the Hong Kong government has commenced incentive programmes such as subsidies to encourage construction contractors to use environmentally friendly building materials. Due to the increasing awareness of the environmental impact on construction wastage, construction contractors are adopting timber flooring products which are more environmentally friendly and easier to install, such as engineered wood flooring products, for their construction projects. As a result, timber flooring products which are environmentally friendly and easy to install will continue to be the future trend of the building construction timber flooring supply industry in Hong Kong.

MARKET OVERVIEW OF THE INTERIOR WALL-FILL MATERIALS AND GYPSUM BLOCK SUPPLY INDUSTRY AND IN HONG KONG

The development of the gypsum block supply industry is largely dependent on the development of the building construction industry in Hong Kong where gypsum block products can be used as an interior wall-fill material. Additionally, due to recent public infrastructure projects, the demand for gypsum block products has increased in recent years. For instance, the Ten Major Infrastructure Projects which have driven the increasing number of commercial buildings and public facility projects, as well as the Ten-year Hospital Development Plan, which includes redevelopment and expansion of the 11 existing hospitals. As a result, the gypsum block supply industry has grown in tandem with the expansion of the urban development and particularly the building construction projects in Hong Kong. For example, the value of construction projects commissioned by main contractors in the public sector increased from approximately HK$42.1 billion in 2011 to approximately HK$77.1 billion in 2015, at a CAGR of approximately 16.3%. Additionally, the value of construction projects performed by main contractors in the private sector increased from approximately HK$35.3 billion to approximately HK$66.1 billion, at a CAGR of approximately 17.0%.

As an interior wall-fill material used for wall partitioning, gypsum block is a lightweight block product made of calcined gypsum, water and additives, such as wood fiber. It is a pre-cast product manufactured in factories and generally used for erecting lightweight fire-resistant non-load bearing interior walls. In Hong Kong, gypsum blocks are gaining popularity, and are used in constructing interior walls of residential buildings, office buildings, commercial buildings and public facilities.

Major interior wall materials in Hong Kong

Interior walls of buildings can be made from various materials. The selection criteria for interior wall materials generally include (i) construction budget; (ii) construction time, cost and labour required; (iii) sound insulation; (iv) properties of fire resistance; (v) properties of water resistance; and (vi) structural impacts or dead loads to the building. Unlike exterior walls which are mostly constructed with poured concrete of pre-cast concrete in Hong Kong, interior walls can be constructed from a variety of materials, mostly defined by their ability to withstand structural load-bearing or non-load bearing, fire resistance, and area of application.

Interior walls in Hong Kong can be grouped into two categories — interior mass-walls (constructed with interior wall-fill materials) and interior light-framed partitioning walls. In Hong Kong, interior mass walls are typically constructed with interior solid brick and block wall-fill materials such as concrete blocks, clay bricks and gypsum blocks. There are instances that interior mass-walls are constructed with pre-cast concrete walls in Hong Kong which feature high density.

- **Interior wall-fill materials** can be used for structural load-bearing or non-load bearing walls, providing long fire-resistance period, low buckling from weighty wall installations, and provide durable partitioning.

- The major types of interior mass-walls (brick and block walls) are clay bricks, concrete blocks and gypsum blocks using masonry techniques laid with mortar or adhesives to construct solid walls. Clay bricks and concrete blocks are conventional building materials for interior wall-fill because of their features, such as durableness, fire resistance, water resistance, structural load-bearing stability and relatively low material cost. Given their features, clay bricks and concrete blocks can be used for both load-bearing walls and non-load bearing walls.
- In comparison to clay bricks and concrete blocks, gypsum blocks have higher price per unit, but have advantages of short construction time, acoustic insulation, fire resistance and flexibility for alterations, and thus gypsum blocks have become an alternative option to clay bricks and concrete blocks for interior wall-fill materials. Although gypsum blocks cannot be used for structural load-bearing walls, gypsum block walls can deliver the same functionality as other conventional brick and block walls that separate them from interior light-framed wall panels and boards.
- Unlike drywall panel and board systems, gypsum blocks are similar to clay bricks and concrete blocks. For example, gypsum blocks are fire resistant for 2 to 4 hours; they can be used in water prone areas, such as kitchens and bathrooms; they can be tiled over; and they can carry weighty wall installations, such as cabinetry, sinks, and entertainment systems. In Hong Kong, gypsum block has generally been adopted as an interior wall-fill material in hospitals, public building facilities, residential units, and commercial properties, such as shopping malls and hotels.
- For pre-cast concrete walls, these pre-cast walls are often manufactured offsite at factories using raw materials such as concrete and reinforced steel bars. Since it requires less labour and short construction time during the building construction, it can help reduce the construction time and labour cost. However, since pre-cast concrete walls have to be pre-designed, and are installed during structural construction, it is often difficult to customise, alter, or conduct remedial works once it is installed as compared to gypsum blocks. In addition, it also requires large space for storage at construction sites.
- **Interior light-framed partitioning walls** typically use wood or lightweight metal frames, such as aluminum and steel, where drywall panels or coverings, such as plaster, wood, or calcium silicate boards are installed on to the frame to construct and install a simple partitioning with large surface area. In Hong Kong, interior light-framed partitioning walls, which have a different construction method as compared to interior mass-walls, are non-load bearing, and cannot provide the durability, strength, water-resistance and loading which interior wall-fill materials can offer.
- Light-framed partitioning walls, which are also known as drywall systems, are often used for room or area partitions in office buildings, given its ease of installation, floor space effectiveness from thin boards, short construction time, and relatively low cost. However, drywall systems cannot be used as structural load-bearing walls since they cannot carry weighty wall installations. Compared to block and brick interior wall-fill materials, such as concrete blocks, clay bricks and gypsum blocks, drywalls are less durable, cannot be used in water prone areas, and are not suitable for hanging cabinets, tiles, appliances, or other weighty items.

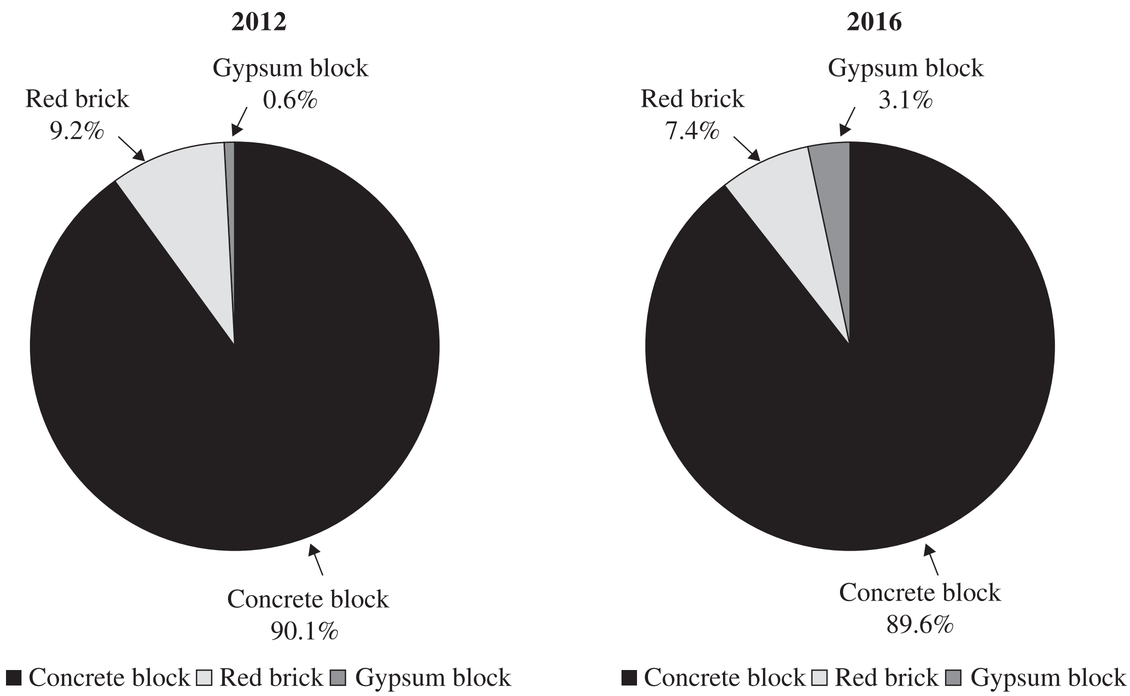
The table below sets out the major types of brick and block walls.

Categories	Segmentations	Advantages	Applications
Brick and block walls	Clay brick (red brick)	• Hard and durable • Fire resistance • Economical	Clay bricks can be used for interior load bearing walls or non-load bearing walls. With its fire resistant feature, clay bricks can be also used in walls which require certain fire resistance period.
	Concrete block	• Hard and durable • Fire resistance • Economical	Concrete blocks are used for foundation walls, load bearing walls or non-load bearing walls because of its inexpensive, durable and fireproof features. To shorten the construction time and reduce construction costs, lightweight concrete blocks are also introduced in wall construction as an alternative to conventional concrete blocks.

Categories	Segmentations	Advantages	Applications
	Gypsum block	• Short construction time • Acoustic insulation • Fire resistance • Flexibility to change (Easy to cut) • No plastering works required • Thin block dimension which allows a slimmer wall to be built	Gypsum blocks are typically used for erecting non-load bearing partition walls, and have several features including short construction time, acoustic insulation and fire resistance. It is one of the ideal options for partition walls. As gypsum blocks do not require mortar, sand or plaster but only little water for construction, the construction site is cleaner than walls built with clay bricks and/or concrete blocks.

Source: Ipsos Report

Interior mass-walls (brick and block walls) wall-fill materials market in Hong Kong: Annual interior wall-fill materials installation volume by product category



Notes: Please note figures may not total to 100% due to rounding. Units for most common interior wall-fill materials are measured in weight in kg whereas gypsum blocks are often measured in cubic meters. For comparison purposes to illustrate market share, installed usage volume here reflects kg, however, it should be noted that gypsum blocks generally have lighter density than their interior wall-fill material counter parts.

Sources: Ipsos Report

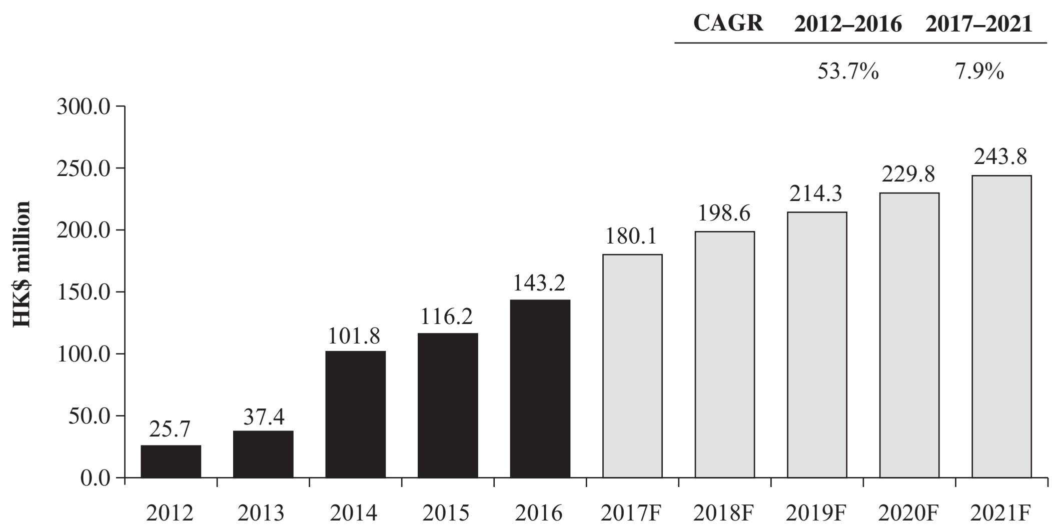
The chart above illustrates the interior wall-fill material usage in Hong Kong's building construction in 2012 and 2016. Due to structural loading, size, and construction time, concrete blocks are the most preferred interior wall-fill material for Hong Kong's construction industry in the past five years, particularly for new buildings and residential buildings. Red brick has been phasing out in Hong Kong due to the heavier weight of the material and construction method requiring more labour time and cost to erect walls. However, it is still a material that is used for interior mass walls, particularly for ground level retail and food and beverage lots.

Gypsum block is a sub-segment of the total interior mass-walls (brick and block walls) wall-fill materials market in Hong Kong. It's market share in terms of installation volume increased from 2012 to 2016, gaining popularity and momentum as a choice for interior wall-fill material. The installation volume share of gypsum block in the total interior mass-walls (brick and block walls) wall-fill material market increased from approximately 0.6% in 2012 to approximately 3.1% in 2016 at a CAGR of approximately 49.3%.

As one of the key players in the market, our market share in the total interior mass-walls (brick and block walls) wall-fill material market in terms of installation volume accounted for approximately 1.1% in 2016.

Revenue of the gypsum block supply industry in Hong Kong

The chart below sets forth the revenue of the gypsum block supply industry in Hong Kong from year 2012 to 2021.



Note: The revenue of the gypsum block supply industry include the revenue generated from supply of material and installation service.

Source: Ipsos Report

The revenue of the gypsum block supply industry in Hong Kong increased from approximately HK$25.7 million in 2012 to approximately HK$143.2 million in 2016, at a CAGR of approximately 53.7%. In Hong Kong, gypsum block is considered a new building material for interior wall construction. As an emerging market, the gypsum block supply industry has grown considerably from 2012 to 2016. Particularly, there was a significant growth from the period of 2014 to 2016. Part of the growth was mainly attributable to the continuous marketing efforts and product promotion conducted by gypsum block suppliers in Hong Kong. More architects, developers, construction contractors and governmental departments started to adopt gypsum blocks in their building construction projects, especially schools, hotels, commercial buildings and residential buildings. In addition, the rising labour cost in the construction industry over the past five years also served as an incentive for customers to choose gypsum blocks for interior wall construction. Since gypsum blocks have features of shorter construction time and less labour required during construction, it became a cost-effective option for customers to minimise labour cost. Lastly, new gypsum block suppliers entering the industry in 2014 and 2015 have also helped the expansion of the market. To conclude, the aforementioned factors have together led to the considerable growth of the industry from 2014 onwards.

The revenue of the gypsum block supply industry in Hong Kong is expected to grow from approximately HK$180.1 million in 2017 to approximately HK$243.8 million in 2021, at a CAGR of approximately 7.9%. The gypsum block supply industry is expected to continue its growth momentum from 2017 to 2021. With the growing concerns of environmental impacts on building construction and the encouragement of BEAM Plus New Buildings by Hong Kong Green Building Council (the "**HKGBC**"), customers have begun to consider the environmental impacts when selecting building construction materials. Therefore, there might be an increasing trend for customers to choose gypsum blocks for interior wall construction over clay bricks or concrete blocks because gypsum blocks are considered environmentally friendly.

Future trends and development

Fast installation wall material

Hong Kong's construction industry has experienced labour shortage and aging construction workforce in recent years. For example, according to the Construction Industry Council, approximately 41.6% of the 356,083 registered workers who have been in the construction industry for more than 10 years were aged over 50 as at August 2015. Such phenomena have caused the constant increase in labour cost of construction workers; therefore, ease of installation and short construction time shall become more important in the Hong Kong construction industry. As a result, demand for building construction materials that require less labour and construction time is growing under the consideration of cost-saving.

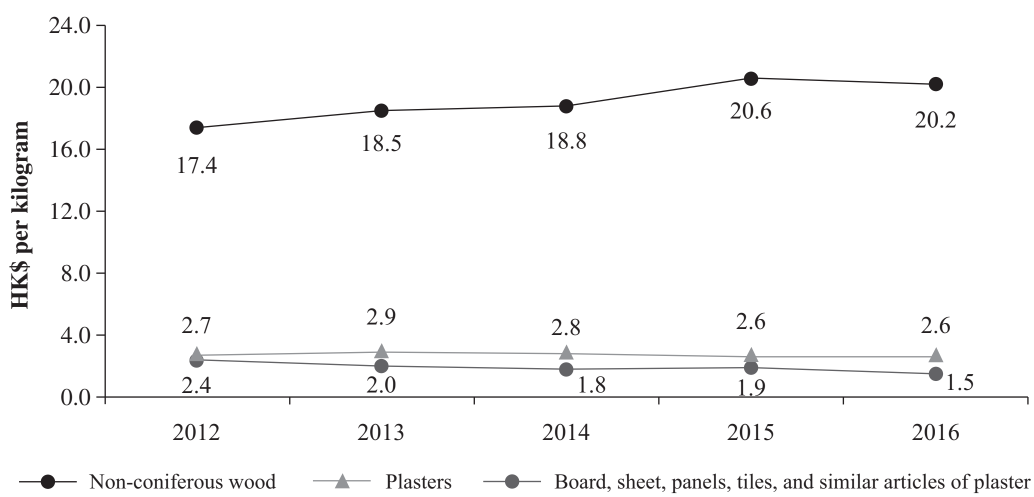
Energy efficient wall material

The Hong Kong government has committed to improve energy efficiency in buildings, and is driving the demand and development of energy efficient building wall materials. It is expected that more buildings will be designed, built and renovated to become more energy efficient by using new technologies and building materials. For example, in April 2010, the HKGBC introduced BEAM Plus, a comprehensive assessment tool to certify green buildings in Hong Kong and the coverage is widened in 2013 by launching the BEAM Plus Interiors. Buildings cannot be considered environmentally friendly by the HKGBC if it fails the BEAM Plus assessment. BEAM programme assesses the material selection of a building, where thermal transfer value is one of the most important criteria. As such, the building material requirement under BEAM programme stimulates future demand for wall materials that are energy efficient and provide high thermal mass to buildings.

Historical price trend of key import products

The chart below sets forth the historical price trend of key import products from year 2012 to 2016.

CAGR	Non-coniferous wood *(Note 1)*	Plasters *(Note 2)*	Board, sheet, panels, tiles and similar articles of plaster *(Note 3)*
	3.8%	-0.9%	-11.1%



Notes:

(1) Hong Kong Harmonized code of Non-coniferous wood: 44092990;

(2) Hong Kong Harmonized code of Plasters: 25202000; and

(3) Hong Kong Harmonized code of Board, sheet, panels, tiles and similar articles of plaster: 68091900.

Sources: Census and Statistics Department, HKSAR; Ipsos Report

Given that wood and gypsum plaster are the two main categories of import products for timber flooring and gypsum block supply industry in Hong Kong, (i) non-coniferous wood; (ii) plasters; and (iii) board, sheet, panels, tiles and similar articles of plaster, which are categorised under three harmonised import codes, are considered as the three key import products in the industry. Throughout the period of 2012 to 2016, the price for non-coniferous wood increased from approximately HK$17.4/kg to approximately HK$20.2/kg at a CAGR of approximately 3.8%. Conversely, the price for plasters dropped from approximately HK$2.7/kg to approximately HK$2.6/kg, while the price for board, sheet, panels, tiles and similar articles of plaster dropped from approximately HK$2.4/kg to approximately HK$1.5/kg, representing a CAGR of approximately -0.9% and approximately -11.1% respectively.

COMPETITIVE LANDSCAPE OF THE BUILDING CONSTRUCTION TIMBER FLOORING SUPPLY INDUSTRY IN HONG KONG

Competitive Situation

In view of the significant demand of timber flooring materials for residential building construction, the industry is largely supported by these construction projects. The building construction timber flooring supply industry is consolidated with a few major players including our Group. The remaining market is evenly distributed among small-scaled building construction timber flooring suppliers as well as interior fitting-out contractors who procure flooring materials directly from international brands and manufacturing plants overseas. Customer concentration of the industry is high as major timber flooring suppliers depend greatly on property developers and building construction contractors of residential construction projects. As a result, it is common for key players in the building construction timber flooring supply industry to rely on a few customers such as property developers and building construction contractors. Key players in the building construction timber flooring supply industry who have large market presence, existing connection with customers and/or superior craftsmanship are often engaged as part of the building construction process to provide timber flooring installation services. In order to maintain efficiency in a construction project, it is highly preferred by property developers and building construction contractors to select flooring suppliers who are capable to provide installation services.

Interior fitting-out contractors may also compete with the building construction timber flooring suppliers. It is not uncommon for interior fitting-out contractors to procure interior building materials including timber flooring materials directly from the international brands and from manufacturing plants overseas.

In 2016, there were approximately 150 building construction flooring suppliers in Hong Kong, with approximately 50 building construction flooring suppliers focus on timber flooring products referenced by the HKTDC and the Builders Directory website. Apart from our Group, other key players engaged in the building construction timber flooring supply industry with a focus on engineered wood flooring materials include Joyful Sky, Karlian International Ltd., Tai Kam Engineering Company Ltd., Sun Tat Timber Engineering Ltd., and Pine Wood (F.E.) International Ltd. Other players in the timber flooring segment include flooring material suppliers such as Power Dekor International Ltd., who mainly supply laminate wood flooring panels and some engineered wood products for both building construction projects, as well as wholesale distribution for retail customers. According to the Ipsos Report, our Group's market share in the building construction timber flooring supply industry in 2016 was approximately 15.6%. Due to the lack of sufficient publicly accessible information, our ranking and the respective market share of the abovementioned market players in the building construction timber flooring supply industry in Hong Kong were not provided in the Ipsos Report.

Market drivers and opportunities

Growing preference for timber flooring products for property developers and private households

From year 2012 to 2016, timber flooring products have seen growing popularity among property developers in new-built private domestic properties, where major property developers, such as Cheung Kong Property Holdings Limited, Sino Group and K.Wah Group, have used timber flooring products in their newly completed private domestic properties from year 2012 to 2016. Given the preference for wood-grain aesthetic and minimal maintenance of flooring surfaces by residential property buyers, compared to traditional solid wood flooring, engineered wood products are more durable, easier to maintain, and more resistant to humidity, while delivering similar aesthetics for property interior designers and property owners, it is expected that such preference will continue to provide opportunities for timber flooring in the future. Amid the growing housing supply, the total demand for timber flooring products is also expected to be sustained, which further supports the revenue growth of the building construction timber flooring supply industry in Hong Kong.

Demand for private domestic properties

It is anticipated that the demand for private domestic properties will rise due to growing foreign domestic investment on housing and rising housing demand from local households. Given the number of domestic households is projected to increase by 247,800 units in the coming ten years from 2016–17 to 2025–26, and that the number of households displaced by redevelopment of public housing and aging private buildings during the same period is significant at 45,400 units, the demand for private domestic properties will continue to increase. Building construction timber flooring suppliers, whose products are regarded as highly-preferred flooring materials for the major property developers in Hong Kong, particularly for residential flooring, will benefit from this growing housing supply initiated by the Government.

Threats

Rising competition from flooring substitutes

In addition to timber flooring products, tile flooring products have remained popular in Hong Kong due to their surface durability, suitability in water prone areas, lower installation cost for small units with homogenous materials compared to mixed-materials installation, and ease in maintenance. In addition to tiles, there was an increase in product variety in recent years, such as wood-like PVC and ceramic tiles, apart from the traditional flooring materials. New designs and growing material alternatives that can provide a wood-grain aesthetic may pose a threat to timber flooring products as buyers and interior designers may be willing to consider different material usage. Furthermore, engineered wood, which is a common type of timber flooring material in Hong Kong, could carry higher price points in terms of material and installation cost compared to other substitutes in the market, such as PVC flooring. Different advantages of other flooring substitutes provide consumers more options to explore other alternatives, and therefore, it may increase competition among flooring material substitutes.

Entry barriers

Lack of track record and established customer base

A proven track record is one of the factors of competition and entry barrier in the building construction timber flooring supply industry in Hong Kong.

Timber flooring quality and installation craftsmanship impact the flooring durability, interior aesthetic, perceived purchase value and reputation of property developers. Remedial works due to poor craftsmanship or timber flooring products will cause additional costs and delays to property developers. As a result, property developers seek for building material suppliers who deliver good finished products on a timely manner; hence, a proven track record, especially past-project experience with established customer base of property developers, is considered as an entry barrier for new entrants to the market. It is not uncommon for property developers to select building construction timber flooring suppliers who have provided products and services to their past projects. As such, it is difficult for new entrants to develop an established customer base and show a proven track record to compete with the existing players in the market.

COMPETITIVE LANDSCAPE OF THE GYPSUM BLOCK SUPPLY INDUSTRY IN HONG KONG

Competitive situation

In 2016, the top five gypsum block suppliers in Hong Kong accounted for a market share of approximately 100%. It is considered that the market is an emerging market because gypsum block was first introduced to Hong Kong since 2004 and started to gain popularity in Hong Kong in the interior wall-fill materials supply industry. Our market share in the total interior mass-walls (brick and block walls) wall-fill material market in terms of installation volume accounted for approximately 1.1% in 2016. The industry is highly dominated by the top two players in the market. With the presence of these two players in the market since the mid-2000s, they have accumulated experiences and proven track record, and thus secured significant market shares in the industry. For the remaining market players, they entered the market in 2014, and their market shares are much smaller compared to the top two players due to less brand recognition and project experiences.

There are six gypsum block suppliers in Hong Kong in 2016. However, the top five gypsum block suppliers have accounted for approximately 100% of the market share. The sixth player entered the industry in late 2016 and thus did not have sales in 2016. It is not uncommon for gypsum block suppliers in Hong Kong to rely on a few major customers such as property developers and building construction contractors.

Below sets forth the ranking table of the gypsum block suppliers in Hong Kong in 2016.

Rank	**Company Name**	**Revenue in 2016** *(Note 1)* *(HK$ 000)*	**Market share in 2016**
1	Our Group	109,237.4 *(Note 2)*	76.3%
2	Company A	24,174.0 *(Note 3)*	16.9%
3	Company B	4,979.0	3.5%
4	Company C	3,764.8	2.6%
5	Company D	1,040.0	0.7%
Total		143,195.2	100%

Notes:

(1) The estimated revenue of the top five gypsum block suppliers include revenue generated from projects including supply only projects as well as supply and installation projects.

(2) The revenue of our Group in 2016 refers to the revenue of our Group for the year ended 31 March 2017.

(3) The revenue of the Company A in 2016 refers to the revenue for the year ended 31 March 2017 in Hong Kong.

Source: Ipsos Report

Market drivers and opportunities

Government-led investment in public facilities

Gypsum blocks are increasingly applied in schools, hotels as well as hospitals by architects, developers, construction contractors and governmental departments. Amid the Ten-year Hospital Development Plan led by the Hong Kong government in 2016, a funding of HK$200 billion will be invested in the development of a new acute hospital at the Kai Tak Development Area, which consists of 2,400 beds with inpatient and ambulatory services. The funding would also be invested in the redevelopment and expansion of the 11 existing hospitals in Hong Kong. Given the advantages of gypsum blocks such as ease of installation, sound insulation and short construction time, these hospital construction projects would potentially prompt the demand for gypsum blocks.

The development plan of 'Energising Kowloon East'

The development of Kowloon East is a large scale and complex development project initiated with the goal of transforming Kowloon East into another premier central business district in Hong Kong. This development, which comprises Kai Tak Development, Kwun Tong and Kowloon Bay Business Areas with a total area of approximately 488 hectares, offers business opportunities to gypsum block suppliers to supply gypsum blocks to the new construction projects in the area. For example, the development includes, among others, the establishment of new public rental housing, schools, public facilities, office buildings and commercial buildings. These new building constructions in the Kowloon East area will drive and provide opportunities for gypsum block suppliers.

Trend of green buildings encourages the environmentally friendly building materials

With the rising concerns on the environmental impact of building construction, the Hong Kong government has taken actions to promote green buildings and environmental protection in the construction industry in Hong Kong. In 2015, the "Energy Saving Plan for Hong Kong's Built Environment 2015–2025+" jointly published by the Environment Bureau and the Transport and Housing Bureau introduced the BEAM Plus assessment, which is a system to measure the building energy performance in various aspects. In accordance with the Green Council, the assessment criteria include building material aspects, water use, energy use, innovations and additions, and indoor environmental quality such as thermal insulation and natural daylight penetration. Specifically, as one of the key factors in BEAM Plus assessment, building material selection will become more important in the construction and may lead to a rising demand for eco-friendly building materials. According to the Environmental Protection Department of Hong Kong, gypsum block is under the list of recycled construction product, and since gypsum block walls can be built with less construction waste, and is produced with recyclable materials and consume less energy during production of the product, the trend for using eco-friendly materials is expected to continue driving the market.

Threats

Labour shortage and rising labour costs

Labour cost is one of the major costs apart from material costs for building construction industry in Hong Kong. According to the Construction Industry Council, approximately 42.8% of construction workers, approximately 187,310 people are 50 years old or above as of March 2017. In order to retain and attract skilled young labour, wages are rising which has led to the increasing labour costs of the construction industry in Hong Kong. The problem is worsened with the increasing demand of local construction workers from the PRC and Macau since the commencement of large-scale construction projects in these countries. The PRC and Macau, by offering higher salaries, have successfully attracted more construction workers from Hong Kong, of which has posed a challenge of labour supply in Hong Kong. The shortage of skilled and experienced labour may increase the probability of project delays.

Filibuster delaying the progress of construction projects

Filibustering in the Legislative Council of Hong Kong has caused delays to public projects and the potential future disruption to the release of construction project budgets from the Government could impact the growth of the gypsum block import wholesale industry. Filibustering in the Legislative Council refers to the legislative procedure to block or delay approval of funding or proposed bills by the committees of the Legislative Council. It may decrease the number of building construction projects in the construction industry due to delays in releasing budgets of public projects or delay of existing project progress, particularly for infrastructure and public building construction projects in Hong Kong. Since public projects initiated by the Hong Kong government might be affected by filibustering, the number of building construction projects is likely to decrease and thus lower the demand for gypsum blocks.

Entry barriers

Strong customer relationship

Building strong customer relationships with property developers and construction contractors are essential for gypsum block suppliers in the building construction industry in Hong Kong. Developers and contractors tend to select gypsum block suppliers with whom they have previously cooperated with, allowing developers and contractors to ensure the quality of gypsum block products and the supplier's timeliness on product delivery. These two factors are crucial in construction projects as they may have significant impacts to the budgeted construction cost and project schedule. New entrants who do not have past working relationship with customers, developers and construction contractors may find that their lack of track record and past project experience will become an entry barrier to the market.

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

HONG KONG LAWS AND REGULATIONS

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

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

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

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

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

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

We are responsible for the safety and health for our employees at workplace under the Occupational Safety and Health Ordinance. We have established in-house safety rules (e.g. safety guidelines manual and on-site notice boards) to provide our staff and subcontractors with a safe and healthy working environment by specifying various safety measures.

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

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

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
- providing such information, instruction, training, and supervision as is necessary to ensure the health and safety at work of all persons employed by him at the industrial undertaking;
- maintaining any part of the industrial undertaking under the proprietor's control in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from it that are safe and without such risks; and
- providing and maintaining a working environment for all persons employed by him at the industrial undertaking that is safe, and without risks to health.

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

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

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

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

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

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

Under section 40 of the Employees' Compensation Ordinance, all employers (including the principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of up to HK$100,000 and imprisonment for up to two years. Under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law.

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident or prescribed occupational disease irrespective of whether the accident or the occupational disease gives rise to any liability to pay compensation. Work injury cases in general should be reported in 14 days' time while the fatal cases should be reported in 7 days' time.

If the employer is not aware of the happening of the accident within the respective periods, he must notify the Commissioner for Labour within 7 or 14 days, as the case may be, after the accident came to his knowledge.

Please refer to the paragraph headed "Business — Insurance" of this prospectus for our insurance coverage in this regard.

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

A principal contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance.

According to section 43C of the Employment Ordinance, (i) a principal contractor is; or (ii) a principal contractor and every superior subcontractor are jointly and severally, liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior subcontractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for two months without any deductions (such months shall be the first two months of the period in respect of which the wages are due).

According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from a subcontractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

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

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

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

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

Under the MPF scheme, an employer and its employees are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per annum (maximum level of relevant income for contribution purposes was HK$25,000 per month or HK$300,000 per annum for the period from 1 June 2012 to 31 May 2014).

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

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories: (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting-out works.

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

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

The Construction Workers Registration Ordinance provides among others, for registration and regulation of construction workers. The main objective of the Construction Workers Registration Ordinance is to establish a system for registration of construction workers, to set out the levy to be paid by contractors in respect of construction operations and to regulate construction workers who personally carry out construction work on construction site.

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

According to section 58(7)(a) of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to establish and maintain a site daily record in the specified form that contains information on registered construction workers employed by him or, if he is the principal contractor, his subcontractor.

According to section 58(7)(b) of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the report for the period of seven days after any construction work begins on the site and for each successive period of seven days, within two business days following the last day of the period concerned.

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

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance establishes a scheme for compensating persons or their family members in respect of incapacity or death resulting from pneumoconiosis or mesothelioma (or both).

According to the section 4 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance:

(a) compensation shall be payable to any person suffering from pneumoconiosis or mesothelioma (or both), in respect of any incapacity resulting from the above disease or diseases and any pain, suffering and loss of amenities arising from the above disease or diseases;

(b) for a person suffering from pneumoconiosis (whether or not he is also suffering from mesothelioma), compensation in respect of his pneumoconiosis shall be payable only where the date of diagnosis of his pneumoconiosis occurs on or after 1 January 1981;

(c) for a person suffering from mesothelioma (whether or not he is also suffering from pneumoconiosis), compensation in respect of his mesothelioma shall be payable only where the date of diagnosis of his mesothelioma occurs on or after 18 April 2008; and

(d) compensation shall be payable to a person resident in Hong Kong for 5 years or more at the date of the notification of the claim, or resident in Hong Kong for less than 5 years at such date if he contracted pneumoconiosis or mesothelioma (or both) in Hong Kong.

For construction operations where the total contract value each of which exceeds the amount of HK$1,000,000, such operations are liable to pay a levy under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance. A levy of 0.15% of the value of the construction operations concerned is to be imposed in respect of construction operations carried out in Hong Kong.

If the amount of the levy or surcharge is not fully paid within such time as may be prescribed, the contractor shall be liable to pay, in addition, a penalty of 5% of the amount unpaid. If the amount of the levy or surcharge including any penalty payable is not fully paid within 3 months after the expiry of such period, the contractor shall be liable to pay, in addition, a further penalty of $1,000 or 5% of the amount unpaid, whichever is the greater.

Any person who is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of the payment of a levy, whether due from him or from any other person, commits an offence and is liable to a fine of up to $10,000 or 20 times the amount of levy that was or was intended to be evaded by his conduct, whichever is the greater.

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

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

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

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

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

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

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

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction works and the use of powered mechanical equipment in populated areas are not allowed between seven p.m. and seven a.m. on normal weekdays and at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the Construction Noise Permit System. Certain equipment is also subject to restrictions as to when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emission standards and be issued with a noise emission label from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of up to HK$100,000; and (b) on second or subsequent conviction, to a fine of up to HK$200,000, and in any case to a fine of up to HK$20,000 for each day during which the offence continues.

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

The Waste Disposal Ordinance controls and regulates the production, storage, collection, treatment, recycling and disposal of wastes. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of up to HK$200,000 and to imprisonment for up to six months for the first offence; and to a fine of up to HK$500,000 and to imprisonment for up to six months for a second or subsequent offence; and in addition, if the offence is continuing offence, to a fine of up to HK$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Subcontractor Registration Scheme

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme (the "**SRS**") managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007. Kwan Tai HK is currently registered as a registered subcontractor under the SRS in respect of the trade specialty of wooden flooring under the trade of joinery and carpentry. Such registration will expire on 2 November 2018. For details of the registration, please refer to the paragraph headed "Licences and qualifications" of the section headed "Business" of this prospectus.

Subcontractors may apply for registration on the SRS in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialties, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation.

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

Applications for registration under the Primary Register of the SRS are subject to the following entry requirements:

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

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

(c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for subcontractors (or equivalent) conducted by the Construction Industry Council; or

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

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council which oversees the SRS (the "**Management Committee**"). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

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

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

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

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

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

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

Since 2015, the Hong Kong Government has been consulting on new legislation for the construction industry to address unfair payment terms, payment delays and disputes. The SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, all public sector construction contracts will be caught by the legislation, whereas in the private sector, only certain contracts relating to a "new building" (as defined by the Buildings Ordinance) which has an original value in excess of HK$5 million for construction contracts and HK$500,000 for consultancy appointments and supply only contracts will be caught by the SOPL. However, where the SOPL applies to a main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will, among others:

- prohibit "pay when paid" and similar clauses in contracts. Payers will not be able to rely on such clauses in court, arbitration or adjudication;

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

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

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

It is possible that some of our contracts will be caught by the new SOPL and where such contracts are subject to the SOPL, we will have to ensure that their terms comply with the legislation. As the SOPL is designed to assist contractors throughout the contractual chain, including us, to ensure cash-flow and access to a swift dispute resolution process, our Directors do not expect the SOPL to have any negative implication or significant adverse impact on our business operation and liquidity management. In fact, with the new right to suspend or reduce the rate of progress of work on non-payment of fees admitted as due to us by our customers, the SOPL provides us with greater protection and strengthens our liquidity management.

As at the Latest Practicable Date, the date of implementation of SOPL has not been announced.

MACAU LAWS AND REGULATIONS

Regulation in relation to construction and engineering businesses in Macau

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

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

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

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

Decree Law no. 79/85/M — General Construction Works Regulation (further amended by Administrative Regulation No. 24/2009)

In accordance with Decree-Law no. 79/85/M (further amended by Administrative Regulation No. 24/2009), the execution of construction works may only be carried out by construction companies or individuals that are duly registered with DSSOPT and in respect of licensed and approved projects. In general, for the registration of construction companies or individual contractors, DSSOPT will assess, at its discretion, their capacity, notably relying on (i) the technical means at their disposal; and (ii) the past experience regarding the execution of construction works.

If the main contractor or the first trade contractor of the works has obtained work license or made prior notice, the subcontractors or trade contractors who are involved in any part of such works are not required to obtain any work license or make prior notice.

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

Law no. 1/2015 — Regime of Qualifications of Urban Construction and Urban Planning Practitioners

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

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

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

The mentioned registration, upon being accepted, is valid to the end of the following calendar year after its request, and is subject to mandatory renewal. Registration before DSSOPT may be requested by private sector technicians, individual commercial enterprises with at least a registered technician or companies of the sector duly registered in Macau with at least one registered technician. The validity of the registration before DSSOPT and its renewal is subject to the maintenance of all the legal requirements, otherwise the said registration and/or renewal may be suspended or cancelled. In addition, for the purposes of the registration before DSSOPT, the applicants must be covered by a valid and effective professional liability insurance that covers the losses arising from the rendering of the relevant services.

Under articles 47 to 51 of Law no. 1/2015, the provision of design, guidance and supervision services to construction works requires the practice of civil engineers, mechanical engineers, electromechanical engineers or fire engineers.

Environmental Laws

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

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

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

Labour regulations

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

To import non-resident unskilled workers, all companies operating in Macau must apply to the Macau Human Resources Office (since the Administrative Regulation no.12/2016 became effective on 28 May 2016, to the Macau Labour Department) for labour quotas. The employment of non-resident skilled workers is also regulated and subject to authorisation by the Macau Labour Department, which grants such employment authorisations on a case-by-case basis. Skilled non-residents may apply for residency through the Macau Trade and Investment Promotion Institute as specialised workers. There are no quota-based restrictions for Macau residents. Businesses are free to employ Macau residents in any position without any type of quota, as all Macau residents have the right and freedom to work in Macau.

Taxation

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

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

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

Complementary tax

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

Companies are required to declare their annual profit and such profit is subject to complementary tax. If dividend is declared, taxable profit is based on declared taxable profit (after dividends have been paid). The Law no. 11/2016 (the Government Budget of Financial Year 2017) extends the exempted portion of income to MOP600,000 and determines that the excess of taxable income be taxed at 12%. These measures implemented through the Government Budget of Financial Year 2017 are extraordinary and there can be no assurances that the exemption limit will increase, decrease or stay at its present level.

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

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

HISTORY AND DEVELOPMENT

Business development

Our Group was founded by Mr. Lo, our Group's chairman, chief executive officer, executive Director and a Controlling Shareholder. His entrepreneurship in the construction sector began in 1980 with the commencement of business of Tristar, the predecessor of our Group, when Mr. Lo and his two business partners discovered their first business opportunity as building materials traders in Hong Kong. After his business partners left Tristar in 1981 and 1984 respectively, Mr. Lo persevered in his vision that the local construction industry would be highly opportunistic, and on his own, Mr. Lo continued the business of Tristar and grew it mainly as a tiles supplier to construction companies and contractors. Featured projects at the time include large-scale residential complex developments such as Discovery Bay and Gold Coast.

As Tristar's sales grew, Mr. Lo saw the advantages of integrating downstream into the installation and fitting-out services of the building materials he supplied. In 1988, Mr. Lo together with his father incorporated Kwan Tai HK, our Group's principal operating subsidiary in Hong Kong, through which our Group began to offer to our customers, along with building materials, installation and post-completion maintenance service packages. Meanwhile, Tristar remained engaged in the trading of building materials. In 1990s, identifying changing market trends and new opportunities, Tristar branched out beyond the residential sector to commercial developments and became engaged in several major public community facilities projects. In 1996, our Group became listed amongst the Approved Proprietary Names of the Hong Kong Housing Authority. Over the course of the following two decades, Mr. Lo gradually transferred his businesses from Tristar to our Group.

Starting from 1996, our Group gradually expanded the range of supplied products to include granite, timber flooring and marble. Over the next years, our Group undertook major projects for the provision and installation of building materials including Hong Kong International Airport (marble flooring), the Hong Kong Science Park (raised flooring system), numerous primary and secondary schools (timber flooring system) and Hong Kong Disneyland Park and Resort (clay tiles). In 2003, we introduced HUGO, our Group's proprietary label for indoor timber flooring materials, offering more product options to our customers. In 2005, our Group introduced gypsum block products to the Hong Kong construction market as an eco-friendly replacement to the brick and block walls, which had been used conventionally for interior partitioning. Commencing in 2009, we sourced gypsum block products from our German Gypsum Supplier. Gypsum block products were utilised in several large-scale projects including a major shopping arcade in West Kowloon as well as numerous residential and commercial developments and community facilities.

In 2015, our Group founded our Macau operating subsidiary, Kwan Tai Macau. As of 2017, our business in Macau has covered both residential properties as well as hospitality and entertainment developments and involved the supply of, and sometimes including installation services, for timber flooring products, GRC, roof tiles and gypsum block products.

Further information about Tristar

Tristar is a partnership between United Aim Limited and Fortune Loy Holdings Limited, each owned as to 70% and 30% by Mr. Lo and Ms. Fung respectively, since 1 April 1998. Before 1 April 1998, Tristar was a partnership between Mr. Lo and his business partners which commenced business in

1980 and was a sole proprietorship of Mr. Lo since 1984. Tristar was principally engaging in the supply and installation of timber flooring products and roof tiles. Over time, the business operations of Tristar were gradually transferred to our Group. Based on the audited financial statements for the three years ended 31 March 2017 and the unaudited financial statements for the three months ended 30 June 2017, for the three years ended 31 March 2017 and the three months ended 30 June 2017, Tristar recorded net profits of approximately HK$277,000 and HK$180,000 and net losses of approximately HK$17,000 and HK$4,000 respectively. During the Track Record Period, two projects were undertaken by our Group using Tristar as the contracting party, but the work was carried out by Kwan Tai HK. Based on our Directors' understanding, the reason for this arrangement was that the relevant customers have not then updated their approved list of suppliers to reflect the transferred business operations of Tristar to Kwan Tai HK. As of the Latest Practicable Date, the above arrangement has been discontinued and Tristar has ceased in carrying out any business and therefore it has not been included in our Group. For further details, please refer to the paragraph headed "Relationship with Controlling Shareholders — Interests of the Controlling Shareholders in other business" of this prospectus.

Further, before 1 August 2016, certain staff members of our Group were employed by Tristar and seconded to our Group. During the Track Record Period, our Group reimbursed Tristar for the cost of staff on a full indemnity basis and such reimbursements of cost of staff amounted to approximately HK$4.6 million, HK$4.7 million, HK$2.1 million and nil for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively. In July 2016, Tristar terminated the employment of the said employees and on the same date, all of them entered into new employment contracts with Kwan Tai HK commencing on 1 August 2016.

Set out below are our key business milestones:

Year	**Milestone event**
1980	Tristar commenced its business and began the trading of tiles in Hong Kong.
1988	Kwan Tai HK was incorporated in Hong Kong and began to offer supply and installation services packages to our customers.
1991–1994	Our Group was engaged by the Architectural Services Department of Hong Kong as a supplier for major reconstruction projects for community facilities including the Western Wholesale Market, Cheung Sha Wan Wholesale Food Market and Queen Elizabeth Hospital in Jordan, Kowloon.
1993–1995	Our Group was engaged as main supplier for roof tiles in several large-scale residential complexes including Discovery Bay and Gold Coast.
1996	Our Group became listed amongst the Approved Proprietary Names of the Hong Kong Housing Authority, and was engaged as a major supplier and installation service provider of the marble flooring system at the Hong Kong International Airport.
1999–2006	Our Group took on numerous timber flooring products supply and installation projects for primary and secondary schools in Hong Kong.

Year	Milestone event
2003	Our Group developed our proprietary label of residential timber flooring products — "HUGO".
2003–2005	Our Group worked on major Government projects including the Hong Kong Science Park in Tai Po and Hong Kong Disneyland Park and Resort.
2005	Our Group began to supply gypsum block products to the Hong Kong market, which were used large-scale projects including a major shopping arcade in West Kowloon.
2010–2012	Our Group was engaged by the Hong Kong government for major community facilities including the Tseung Kwan O Community Hall and sports arena and town park.
2014	Our Group was appointed by a well-established German manufacturer of gypsum block products, being one of our Group's major suppliers, as sole and exclusive distributor for gypsum block products in Hong Kong, Macau, Malaysia and Singapore.
2015	Kwan Tai Macau was incorporated in Macau.
2016	Our Group continued to expand our business and took on the supply and installation of wooden works.
2017	Our Company was incorporated in the Cayman Islands as part of the Reorganisation for the purpose of the Listing and our Group obtained the ISO 9001:2015 and FSC certifications.

Details of the licenses and qualifications of our Group are set out in the paragraph headed "Business — Licences and qualifications" of this prospectus.

OUR MAJOR OPERATING SUBSIDIARIES

Kwan Tai HK

On 26 August 1988, Kwan Tai HK was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each. On the same date, two fully-paid shares of Kwan Tai HK were allotted and one share fully-paid was issued to each of Mr. Lo and Mr. Lo Woon Cheung, the father of Mr. Lo, an initial subscriber. On 21 September 1988, 499,998 fully-paid shares in Kwan Tai HK were further allotted and 249,999 shares were issued to each of Mr. Lo and Mr. Lo Woon Cheung respectively.

On 31 January 1994, one fully-paid share in Kwan Tai HK was allotted and issued to Ms. Lee Wai Ying.

On 22 December 1997, Mr. Lo Woon Cheung transferred 100,000 and 150,000 shares in Kwan Tai HK to Mr. Lo and Ms. Fung for considerations of HK$100,000 and HK$150,000 respectively. The said consideration was determined with reference to the nominal value of the shares in Kwan Tai HK. The said transfer was duly completed and the said considerations were fully settled in cash.

On 23 March 1999, 350,000 and 149,999 fully-paid shares of Kwan Tai HK were allotted issued to Mr. Lo and Ms. Fung respectively.

On 6 December 1999, Ms. Lee Wai Ying transferred one share in Kwan Tai HK, being her entire shareholding in Kwan Tai HK at the relevant time, to Ms. Fung for a consideration of HK$1.00. The said consideration was determined with reference to the nominal value of the share in Kwan Tai HK. The said transfer was properly and legally completed and settled.

On 12 December 2000, the authorised share capital of Kwan Tai HK was increased from HK$1,000,000 to HK$5,000,000 divided into 5,000,000 shares of HK$1.00 each. On the same date, 2,800,000 and 1,200,000 shares in Kwan Tai HK were allotted and issued to Mr. Lo and Ms. Fung respectively.

On 14 March 2017, Mr. Lo and Ms. Fung transferred, respectively, 3,500,000 shares and 1,500,000 shares in Kwan Tai HK, together representing the entire issued share capital in Kwan Tai HK, to Fortuna at an aggregate consideration of approximately HK$44.6 million. The said consideration was determined with reference to the net asset value of Kwan Tai HK as at 31 December 2016 and was settled by our Company via allotting and issuing 9,999 new Shares, credited as fully-paid, to Helios. The said transfer was properly and legally completed and settled. Upon completion of the said transfer, Kwan Tai HK was wholly-owned by Fortuna.

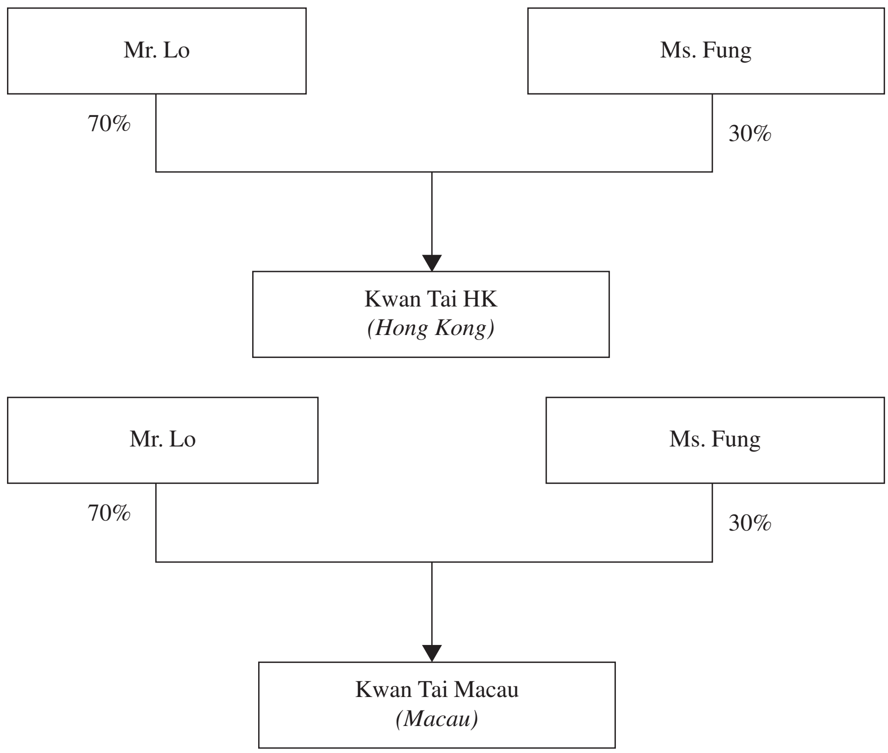
Kwan Tai Macau

On 23 December 2015, Kwan Tai Macau was established in Macau as a limited liability company with a share capital of MOP25,000 with Mr. Lo and Ms. Fung holding 70% and 30% equity interests by quotas under the laws of Macau therein respectively. Since its incorporation, Kwan Tai Macau has been providing building materials and relevant installation services in Macau.

On 8 March 2017, as part of our Reorganisation, Mr. Lo and Ms. Fung transferred the entire equity interest in Kwan Tai Macau to Fortuna for an aggregate consideration of MOP25,000, being the then paid-up share capital of Kwan Tai Macau. The said transfer was properly and legally completed and the said consideration was fully settled in cash. Upon completion of such transfer, Kwan Tai Macau was wholly-owned by Fortuna.

GROUP STRUCTURE PRIOR TO CORPORATE REORGANISATION AND THE PRE-IPO INVESTMENTS

The following diagram sets out the corporate structure of our Group immediately before the implementation of the Reorganisation and the Pre-IPO Investments:



CORPORATE REORGANISATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 February 2017 and, in preparation of the Listing and as part of our Reorganisation, became the holding company of our Group. During the Track Record Period, our Group's business was conducted through our Group's two principal operating subsidiaries, namely Kwan Tai HK and Kwan Tai Macau. Our Reorganisation, which was effected in preparation for the Listing whereby our Company became the holding company of our Group, included the following major steps:

(1) On 20 January 2017, Helios was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. On the same date, 7 shares and 3 shares were allotted and issued to Mr. Lo and Ms. Fung respectively.

(2) On 20 January 2017, Fortuna was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. On 28 February 2017, 1 share was issued and allotted to our Company.

(3) On 8 February 2017, our Company was incorporated in the Cayman Islands with an authorised capital of HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. One Share, representing the entire issued share capital of our Company, was issued and allotted to the initial subscriber, which was subsequently transferred to Helios on the same date, and Helios became the sole Shareholder of our Company.

(4) On 8 March 2017, a share transfer agreement was entered into by Mr. Lo, Ms. Fung and Fortuna, pursuant to which Mr. Lo and Ms. Fung transferred to Fortuna shares in the nominal values of MOP17,500 and MOP7,500 respectively owned by them in Kwan Tai Macau, being the entire registered share capital of Kwan Tai Macau, at considerations of MOP17,500 and MOP17,500, respectively. After completion of the share transfer agreement on 8 March 2017, Kwan Tai Macau became a wholly-owned subsidiary of Fortuna and our Company became the holding company of our Group.

(5) On 14 March 2017, a share swap agreement was entered into by Mr. Lo, Ms. Fung, our Company and Fortuna, pursuant to which Mr. Lo and Ms. Fung transferred to Fortuna at the direction of our Company 5,000,000 shares of Kwan Tai HK, being the entire issued share capital of Kwan Tai HK at a consideration of HK$44,572,118 which was determined and mutually agreed by Mr. Lo, Ms. Fung, Fortuna and our Company with reference to the unaudited net asset value of Kwan Tai HK as at 31 December 2016. The consideration for the acquisition was satisfied in full by our Company allotting and issuing 9,999 Shares, credited as fully-paid, to Helios at the direction of Mr. Lo and Ms. Fung. After completion of the share swap agreement on 16 March 2017, Kwan Tai HK became the wholly-owned subsidiary of Fortuna.

(6) Pursuant to the written resolutions of the then Shareholders passed on 19 December 2017, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional of 1,962,000,000 Shares.

INVESTMENTS BY OUR PRE-IPO INVESTORS

Prior to the Listing, we have introduced two Pre-IPO investors under the Pre-IPO investments.

On 25 May 2017, Helios transferred 100 Shares and 100 Shares to Ms. Lo and Mr. Oscar Lo, the daughter and son of Mr. Lo and Ms. Fung respectively, for considerations of HK$1.00 and HK$1.00. Upon completion of the said share transfers, our Company became held as to 98%, 1% and 1% by each of Helios, Ms. Lo and Mr. Oscar Lo, respectively.

The key particulars of the Pre-IPO Investments are set out in the table below.

Name of investor	**Ms. Lo**	**Mr. Oscar Lo**
Background	Chief operating officer of our Group, daughter of Mr. Lo and Ms. Fung and sister of Mr. Oscar Lo	Son of Mr. Lo and Ms. Fung and brother of Ms. Lo
Date of relevant agreement	25 May 2017	25 May 2017

Name of investor	**Ms. Lo**	**Mr. Oscar Lo**
Consideration	HK$1.00	HK$1.00
Payment date	25 May 2017	25 May 2017
Basis of determination of consideration	Par value of the Shares as at the date of transfer	Par value of the Shares as at the date of transfer
Shares held after the Capitalisation Issue	6,000,000 Shares	6,000,000 Shares
Investment cost per Share	Approximately HK$0.00000017. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK$0.52 per Share (being the lower end of the stated Offer Price range), and a discount of approximately 99.99% to HK$0.68 per Share (being the upper end of the stated Offer Price range).	Approximately HK$0.00000017. Based on the indicative Offer Price range, representing a discount of approximately 99.99% to HK$0.52 per Share (being the lower end of the stated Offer Price range), and a discount of approximately 99.99% to HK$0.68 per Share (being the upper end of the stated Offer Price range).
Use of proceeds	General working capital of our Group which has been fully utilised.	General working capital of our Group which has been fully utilised.
Shareholding in our Company upon Listing (assuming the Over-allotment Options are not exercised and without taking into account any Shares which maybe issued under the Share Option Scheme)	0.75%	0.75%
Strategic benefits to our Company	Enlarge our Shareholder base	Enlarge our Shareholder base
Special rights	Nil	Nil

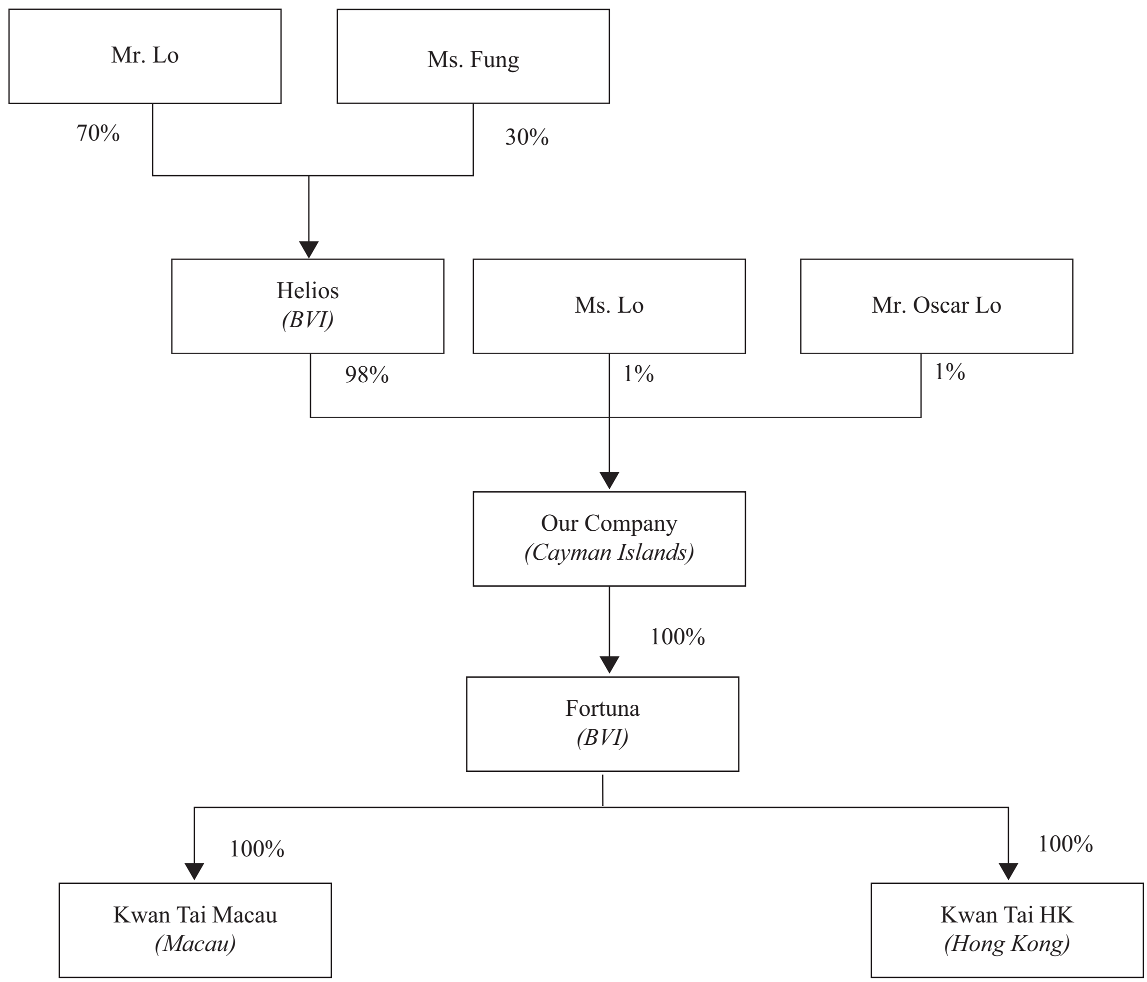
Name of investor	Ms. Lo	Mr. Oscar Lo
Lock-up	Ms. Lo has voluntarily undertaken not to transfer, dispose, nor enter into any agreement to transfer, dispose or otherwise create any options, rights, interests or encumbrances in respect of all Shares held by her upon Listing up for 6 months from the Listing Date.	Mr. Oscar Lo has voluntarily undertaken not to transfer, dispose, nor enter into any agreement to transfer, dispose or otherwise create any options, rights, interests or encumbrances in respect of all Shares held by him upon Listing for 6 months from the Listing Date.
Public float	Since Ms. Lo is not a core connected person of our Company and does not take instructions from any core connected person of our Company in relation to voting or other disposition of Shares held by her, the Shares held by her will be counted towards the public float.	Since Mr. Oscar Lo is not a core connected person of our Company and does not take instructions from any core connected person of our Company in relation to voting or other disposition of Shares held by him, the Shares held by him will be counted towards the public float.

Sponsor's confirmation

The Sponsor is not aware of any terms of the Pre-IPO investments which are not in compliance with the Guidance Letters HKEx-GL43-12 and HKEx-GL44-12. The Sponsor is of the view that each of the Pre-IPO Investments mentioned above is in compliance with the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on 13 October 2010 (as amended) and Guidance Letters HKEx-GL43-12 and HKEx-GL44-12.

GROUP STRUCTURE AFTER CORPORATE REORGANISATION AND THE PRE-IPO INVESTMENTS

The following diagram sets out the corporate structure of our Group immediately after the abovementioned Reorganisation and the Pre-IPO Investments but before the Capitalisation Issue and the Share Offer.

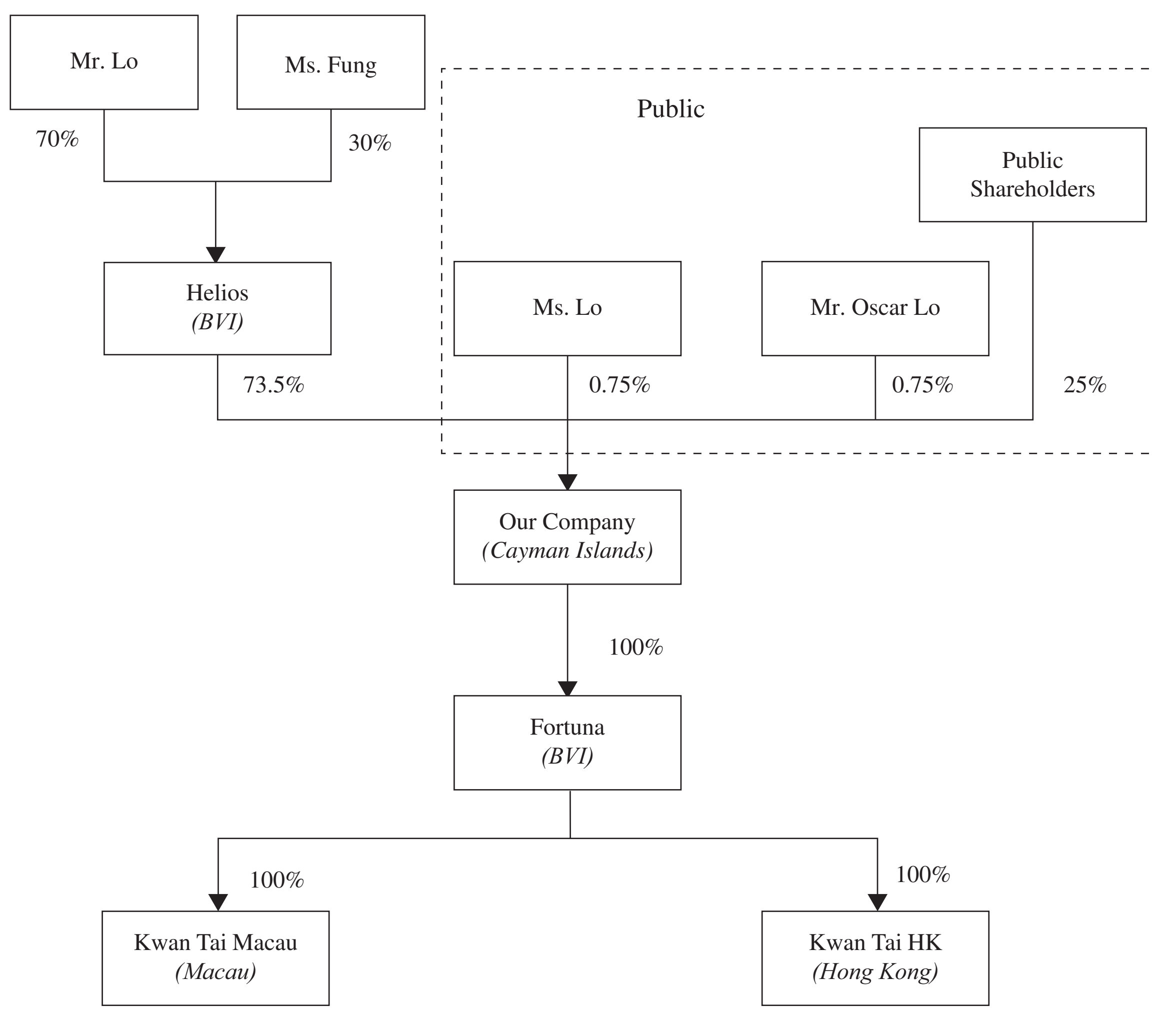


CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 19 December 2017, our Directors were authorised to capitalise an amount of HK$5,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 599,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 19 December 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and the Capitalisation Issue was approved.

GROUP STRUCTURE IMMEDIATELY UPON COMPLETION OF THE SHARE OFFER

The following diagram sets out the corporate structure of our Group immediately following our Reorganisation, the Pre-IPO Investments, the Capitalisation Issue and the Share Offer (assuming no exercise of the Over-allotment Option without taking into account any Shares which may be issued pursuant to the Share Option Scheme):



OVERVIEW

We are a building materials contractor providing building materials and the relevant installation services mainly in Hong Kong. Our products mainly consist of (i) interior wall-fill materials, in particular, gypsum block products; (ii) timber flooring products; (iii) GRC products; (iv) roof tiles; and (v) woodwork products. Our history can be traced back to 1980 when our predecessor of our Group, Tristar commenced its business. Leveraging our experiences and expertise, we expanded our business to Macau in 2015. During the Track Record Period, our products were applied in project sites located in Hong Kong and Macau. Apart from the provision of building materials, we also engage subcontractors to perform the relevant installation services, if required by our customers.

During the Track Record Period, we provided building materials and the relevant installation services to our customers through our two key operating subsidiaries, namely Kwan Tai HK and Kwan Tai Macau. We have participated in a variety of projects from both private and public sectors, including residential developments, commercial developments, institutional and Government projects. Our private sector projects mainly consist of projects commissioned by property developers, private property owners and contractors whereas our public sector projects mainly consist of projects commissioned by governmental departments and statutory bodies.

During the Track Record Period and up to the Latest Practicable Date, we completed 45 projects with total contract amount of more than HK$5.0 million each, of which approximately HK$650.6 million had been recognised during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence) with total contract amount of more than HK$5.0 million each. Details of our projects are set out in the paragraph headed "Business — Our projects" of this prospectus.

For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our revenue amounted to approximately HK$235.4 million, HK$216.9 million, HK$202.3 million, HK$30.9 million and HK$85.3 million respectively. According to the Industry Report, the market share of our Group in the building construction timber flooring and gypsum block supply industry in Hong Kong in 2016 was approximately 15.6% and 76.3% respectively. Meanwhile, gypsum block accounted for approximately 3.1% of the interior mass-walls (brick and block walls) wall-fill materials market in Hong Kong in 2016 in terms of installation volume.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths that set us apart from our competitors are as follows.

Our interior wall-fill materials, in particular our gypsum block products, are widely applied in both private and public sectors projects in Hong Kong

According to the Industry Report, we ranked first in the gypsum block supply industry in Hong Kong in 2016 with an approximately 76.3% market share. Meanwhile, gypsum block accounted for approximately 3.1% of the interior mass-walls (brick and block walls) wall-fill materials market in Hong Kong in 2016 in terms of installation volume. During our operating history, our Group was engaged in both private and public sector projects, and we provided our interior wall-fill materials, in particular our gypsum block products, for various customers including property developers, private property owners, contractors as well as governmental departments. During the Track Record Period and up to the Latest

Practicable Date, we completed 72 private and 24 public sector projects respectively. With our track record in relation to the provision of interior wall-fill materials, our Directors believe that we are capable of obtaining future private and public sectors projects in Hong Kong.

We are an established building materials contractor in Hong Kong supported by strong track record

Our Group's history can be traced back to 1980 when Tristar was formed, and we had been providing building materials since 1983 through Tristar. During the Track Record Period and up to the Latest Practicable Date, we completed a total of 45 projects with total contract amount of more than HK$5.0 million each. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence) with total contract amount of more than HK$5.0 million each. For details of our projects, please refer to the paragraph headed "Business — Our projects" of this prospectus. In view of our operating history, reputation and proven track record, our Directors consider that we are an established building materials contractor in Hong Kong. We believe that our Group's long term presence and proven track record in the building materials industry give our customers confidence in our ability to provide good quality building materials and good craftsmanship for the relevant installation services in a timely manner.

We have established business relationship and strong mutual trust with our manufacturing suppliers of quality building materials

We have established long-term business relationships with some of our manufacturing suppliers of quality building materials. Our major manufacturing suppliers have cooperated with our Group for over ten years. Our established business relationships with some of our major manufacturing suppliers provide us with a steady supply of building materials which are manufactured according to the specifications and timing requested by us and our customers. Our Directors believe that the relationships between our Group and our manufacturing suppliers have been built upon mutual trust and confidence throughout the years of cooperation, and such manufacturing suppliers are flexible to our requests which enable us to fulfil our customers' requirements.

We are able to effectively and efficiently manage our projects within our customers' time constraints

During the Track Record Period, none of our completed projects were subject to payment by us as penalty charges to our customers for late completion or delivery. Our Directors understand that timing is of the essence for most of our projects and therefore it is vital that we are able to meet our customers' timetable and delivery schedule. Any delay by us may have an adverse impact on our customers. To ensure timely completion of our projects, prior to accepting any potential projects, our management team will assess whether we have the ability to complete our customers' projects within their indicated timeframe to meet our customers' expectations, by measures including selection of suitable subcontractors, prudent project planning and management and quality control.

We have an experienced management team with proven track record

We are led by a management team with extensive experience regarding the provision of building materials and the relevant installation services in Hong Kong and Macau. Our Group is spearheaded by our founder, chairman, chief executive officer and our executive Director, Mr. Lo, who has over 35 years' experience, and our executive Director, Ms. Fung, who has over 20 years' experience in the building materials industry. Members of our management team have worked closely together and have developed strong synergies in working and management style with their diverse yet complementary backgrounds. In particular, our technical advisor, one of our senior management, Mr. Ho Sing Chak Stephen, has prior experience in several quasi-government organisations and listed companies in Hong Kong where he was involved in building development projects in both public and private sectors. Given that the majority of our senior management team, led by Mr. Lo and Ms. Fung, has over ten years of experience in the building materials industry, their in-depth industry knowledge and extensive project management experiences have ensured smooth progression and completion of our projects.

Our Directors believe that our management team's technical expertise and professional knowledge of the industry have been our Group's valuable assets and will continue to strengthen and increase our competitiveness in the industry. For further details of their experience and qualifications, please refer to the section headed "Directors, senior management and employees" of this prospectus.

We have long term and stable relationships with our customers and subcontractors

Our customers are from both private and public sectors. Private sector projects of our Group mainly consist of projects commissioned by property developers, private property owners and contractors, whereas public sector projects of our Group mainly consist of projects commissioned by governmental departments and statutory bodies. We have established long term relationships with our major customers throughout our operating history. We have been providing building materials and the relevant installation services to our five largest customers during the Track Record Period for a period of up to 24 years. Our Directors believe that our long term business relationships with most of our customers reinforce our Group as one of the preferred building materials contractor for their projects.

In addition, we maintain an internal list of selected subcontractors for our supply and installation projects. We assess the performance of our selected subcontractors based on their previous performance, timeliness of delivery, past safety records and their labour resources. We have engaged our five largest subcontractors during the Track Record Period for a period of up to nine years. Our Directors believe that our stable relationship with some of our subcontractors facilitates (i) a smooth delivery of services and quality craftsmanship; (ii) the timely completion of our projects; and (iii) the availability of labour throughout the entire project period which is crucial to our Group's day-to-day operations and future business developments.

Given the above, we believe that our long term business relationships with our major customers, and subcontractors have enhanced our market recognition and have enabled us to attract more business opportunities.

We are committed to maintain safety standards, quality control and environmental protection

We place considerable emphasis on complying with our customers' safety standards and quality control as such compliance can directly affect our reputation, service quality and profitability. Our management system has been certified to be in accordance with the standard required under ISO 9001:2015 (quality management) in April 2017. Our Directors believe that since the quality of our management system is a key assessment criteria for our customers, our effective management systems and compliance track record would help to improve our overall service quality and profitability.

In addition, our Group is committed to promoting sustainable development by integrating environmentally friendly initiatives into our Group's operations. We have obtained the certification granted by FSC in May 2017, of which the raw materials of our wood flooring products and our finished wood flooring products are certified as FSC materials for construction and wooden floor.

BUSINESS STRATEGIES AND FUTURE PLANS

Our principal business objective is to maintain and strengthen our market position as an established building materials contractor in the building materials industry in Hong Kong. Leveraging our proven track record and good reputation, we plan to expand our operations in Hong Kong by tendering for more projects in both private and public sectors. To achieve this, we plan to maintain and strengthen our market position in Hong Kong, expand our scope of products and services, and continue to recruit talents and enhance internal training to support our future growth in the industry as detailed below.

Maintain and strengthen our market position in Hong Kong

We plan to strengthen our position in the industry by improving our services to meet the rising demands of our customers, in particular for projects in relation to "Ten Major Infrastructure Projects" and "Ten-year Hospital Development Plan". We will keep track of the latest trends in the industry and adopt those that will be able to improve our service quality. We will continue to leverage on our experience in the industry, range of our products and services as well as our capacity to further explore potential market opportunities in Hong Kong. We intend to strengthen our business development capability by expanding our marketing efforts to enhance our relations with our customers and expand our customer base, through our plans to proactively approach and pay more visits to our recurring customers and target potential customers by contacting them through business referrals and our business network, and share with them information regarding the latest development of our various building materials products. Through this approach, we aim to obtain a further comprehensive understanding on our existing and potential customers, and their respective preferences and needs. With these insights, our Directors believe that we can develop closer relationships with our customers and further strengthen our market position in Hong Kong.

Expand our range of products and scope of services

In order to provide more comprehensive services to our customers, we intend to expand our product types and services offered. Apart from our current products, we plan to engage in the provision of other building materials such as ceramic wall panels, wooden doors and other woodwork products and the relevant installation services for residential and commercial building development projects. According to the Long Term Housing Strategy Annual Progress Report 2016 published by the Hong Kong government, there will be a total of approximately 460,000 units of housing supply from 2017 to 2027. In view of the increase in housing supply in the future, our Group, in particular, plans to further promote our wooden door products for both public and private residential development projects. In addition, we also plan to engage in the provision of refurbishment work services for residential and commercial buildings. As some of our staff have relevant experience and knowledge in other building materials as well as refurbishment work services, we believe that we are well positioned to expand into such new market segments to enhance our market share in the industry in Hong Kong.

Continue to recruit talents and enhance internal training to support future growth

Our Group believes that our high caliber personnel is the foundation of our Group's success. Our Group plans to recruit more high caliber talents in management, project management as well as sales and marketing. We are committed to continuously providing training to our staff in respect of project management, operational and supervisory skills so as to raise our standard and quality of services. In order to achieve this goal, we will organise regular internal trainings and seminars for our staff with a focus on (i) project management regarding supply and installation projects; and (ii) marketing in order to support our Group's future growth.

OUR PRINCIPAL BUSINESS

During the Track Record Period, our Group provided a variety of building materials including interior wall-fill materials, timber flooring products, and other building materials to our customers and provided the relevant installation services for the abovementioned building materials for the projects located in Hong Kong and Macau.

The revenue attributable to our products and services during the Track Record Period is set out below.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Supply of building materials only										
Interior wall-fill materials										
— gypsum block products	67,804	28.8	69,845	32.2	63,571	31.4	7,374	23.9	19,138	22.4
Timber flooring products										
— HUGO	1,508	0.6	3,429	1.6	2,304	1.1	12	0.0	115	0.2
— German branded sports parquet products	—	—	—	—	—	—	—	—	—	—
Others *(Note)*	37,094	15.8	79	0.0	27	0.0	—	—	31	0.0
Subtotal	106,406	45.2	73,353	33.8	65,902	32.5	7,386	23.9	19,284	22.6
Supply and installation of building materials										
Interior wall-fill materials										
— gypsum block products	20,165	8.5	12,920	6.0	45,666	22.6	4,499	14.6	13,833	16.2
Timber flooring products										
— HUGO	99,184	42.1	124,314	57.3	79,722	39.4	17,042	55.2	37,791	44.3
— German branded sports parquet products	299	0.2	2,447	1.1	2,569	1.3	1,094	3.5	186	0.2
Others *(Note)*	9,297	4.0	3,831	1.8	8,460	4.2	852	2.8	14,235	16.7
Subtotal	128,945	54.8	143,512	66.2	136,417	67.5	23,487	76.1	66,045	77.4
Total	235,351	100.0	216,865	100.0	202,319	100.0	30,873	100.0	85,329	100.0

Note: Others mainly represent GRC and roof tiles.

Revenue from our "HUGO" brand products decreased significantly from approximately HK$127.7 million for the year ended 31 March 2016 to approximately HK$82.0 million for the year ended 31 March 2017, representing a decrease of approximately 35.8%. Such decrease was mainly due to the combined effects of the progress of certain supply and installation of "HUGO" brand timber flooring products projects, in particular (i) decrease in revenue of approximately HK$77.0 million in aggregate from Project A9, Project A12, Project A13, Project A14, Project A27, Project A28, Project A29 and Project A40 since a substantial amount of work for these projects were performed during the year ended 31 March 2016; and (ii) increase in revenue of approximately HK$38.6 million in aggregate from Project A5, Project A7 and Project A11 since a substantial amount of work for these projects were performed during the year ended 31 March 2017.

Interior wall-fill materials

Gypsum block products

Our Group mainly provides gypsum blocks and the relevant adhesive products to our customers for interior wall partitioning as well as the relevant installation services, if required. Our gypsum block products are manufactured by a German company specialising in manufacturing gypsum-based products for over 100 years (the "**German Gypsum Supplier**"). The key features of our gypsum block products include but not limited to (i) short installation time; (ii) no plastering works required; (iii) sound and fire-proofing properties; and (iv) thin block dimension which allows a slimmer wall to be built. With a number of features, our gypsum block products have been widely applied in residential and commercial building projects in Hong Kong. Our supplier and gypsum blocks comply with various building and environmental standards, such as EN 12859 and ISO 14025.

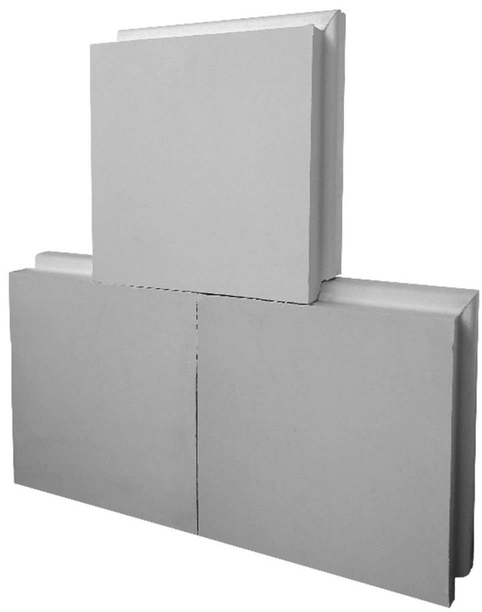
Our Group has been offering gypsum block products in Hong Kong since 2005, and has been cooperating with the German Gypsum Supplier continuously since 2009 as a distributor of its gypsum block products in Hong Kong. Since February 2014, our Group has further become the sole and exclusive distributor of the gypsum block products in Hong Kong, Macau, Malaysia and Singapore, whereby the term of our distributorship agreement is automatically renewed annually. Set forth below are the material terms of the exclusive distributorship agreement with the German Gypsum Supplier and the termination clause.

Major types of products supplied	Duration	Minimum purchase commitment	Termination clause
Gypsum blocks and the relevant auxiliary products	One year, automatically renew for a year upon expiration	(i) Gypsum blocks: 100,000 square meters; and (ii) Adhesives: 300 tons	Three months prior notice by either party prior to the expiration of the agreement

Even though our Group has obtained the sole and exclusive distributorship right from the German Gypsum Supplier in Hong Kong, Macau, Malaysia and Singapore, our Directors expect that our Group will remain focused on the expansion of market share in Hong Kong. Our Group currently does not have any expansion plan to further expand our sales of gypsum block products in other regions. Where our Group receives purchase orders from customers in the abovementioned regions, our Group will consider to take on those projects if our Group has sufficient resources.

During the Track Record Period, our Group offered various types of gypsum block products with different specifications to fulfil our customers' requirements, such as gypsum block products with medium or high or super high density as well as with water repellent feature.

Set out below is a photo of our gypsum block products.



The key features of our gypsum block products are set out below.

	Medium density	Medium density (water repellent)	High density/ Super high density	High density/ Super high density (water repellent)
Density	Approximate 850/1,000 kg/m^3	Approximate 850/1,000 kg/m^3	Approximate 1,200 kg/m^3 for high density Approximate 1,400 kg/m^3 for super high density	Approximate 1,200 kg/m^3 for high density Approximate 1,400 kg/m^3 for super high density
Thickness	80 and 100 mm	80 and 100 mm	80 and 100 mm for high density 100 mm for super high density	80 and 100 mm for high density 100 mm for super high density

	Medium density	Medium density (water repellent)	High density/ Super high density	High density/ Super high density (water repellent)
Fire resistance	2 hours for 80 mm 4 hours for 100 mm	2 hours for 80 mm 4 hours for 100 mm	2 hours for 80 mm 4 hours for 100 mm	2 hours for 80 mm 4 hours for 100 mm
Sound insulation	STC 38 for 80 mm STC 41 for 100 mm	STC 38 for 80 mm STC 41 for 100 mm	STC 45 for 100 mm high density STC 49 for 100 mm super high density	STC 45 for 100 mm high density STC 49 for 100 mm super high density
Application	For all applications	For kitchens and bathrooms in building developments	For special acoustic insulation requirement	For kitchens and bathrooms in residential/ commercial developments and for special acoustic insulation requirements

Set out below are the photos of the key work procedures involved in the application of gypsum block products.

(i) Prior to erection, check the alignment of the lines set out in accordance with our customer's requirements

(ii) Prepare adhesive and apply it for erection of gypsum block wall

(iii) Vertical check to ensure the erected gypsum block wall complies with the specification requested by our customer

(iv) Installation of corner beads for the completed gypsum block wall

During the Track Record Period, our gypsum block products have been applied in over 100 projects in both private and public sectors projects in Hong Kong, including residential developments, commercial developments, and institutional and Government projects. Set out below is a list of our top ten gypsum block projects completed (based on total contract amount) during the Track Record Period and up to the Latest Practicable Date.

No.	Completion date *(Note 1)*	Services provided *(Note 2)*	Engagement description
1	May 2016	*(Note 3)*	Private hospitality project in Macau
2	March 2015	*(Note 3)*	Private hospitality project in Macau
3	September 2017	*(Note 4)*	Public hospital project in Kai Tak
4	September 2017	*(Note 3)*	Public hospital project in Kai Tak
5	December 2017	*(Note 3)*	Private hospitality project in Sai Kung
6	June 2015	*(Note 4)*	Private residential project in Lok Wo Sha
7	September 2017	*(Note 4)*	Private commercial project in Hung Hom
8	August 2016	*(Note 4)*	Public hospital project in Yau Ma Tei
9	October 2014	*(Note 4)*	Private commercial project in Shatin
10	March 2017	*(Note 3)*	Private hospital project in Wong Chuk Hang

Notes:

1. Completion date of the relevant projects refers to (i) the date of the progress payment certificates issued by our customers with accumulated value covering 95% or above of total contract amount for supply and installation projects; or (ii) the date of the last invoice issued to our customers for supply only projects.

2. Our services provided included (i) supply of gypsum block products only; and (ii) supply of gypsum block products together with relevant installation services.

3. Supply of gypsum block products only.

4. Supply of gypsum block products together with relevant installation services.

During the Track Record Period, we had a loss-making project, where we were engaged in the supply and installation of gypsum block products for a private residential project. Please refer to the paragraph headed "Financial information — Results of operations of our Group — Gross profit and gross profit margin" of this prospectus for further details.

Timber flooring products

In relation to indoor flooring materials, our Group offers timber flooring products for residential projects and indoor sport court/stadium projects. Regarding residential projects, we offer timber flooring products under our own brand, namely HUGO, whereas we offer timber flooring products for indoor sport court/stadium projects under a German brand (the "**German branded sports parquet products**"). Our timber flooring products are manufactured by our suppliers in the PRC and Germany respectively, and both of them are Independent Third Parties. Our Group also provides the relevant installation services if required by our customers.

(a) HUGO

For residential flooring materials, our Group offers timber flooring products under our own brand — HUGO which are manufactured by our suppliers in the PRC. Our HUGO products are available in both engineered and solid wood materials with tailor made top layer materials to meet our customers' specifications. In addition, our customers can also request for the use of FSC certified materials for our HUGO products to meet different building environmental standards.

Our engineered wood flooring is a type of hardwood flooring which is composed by multiple layers of plywood, and then finished with a surface layer of hardwood. The surface layer is selected from different choices of wood species, such as walnut, oak, cherry, beech and sapelli. The surface layer is then bonded to the plywood by heat pressure with high performing adhesive. Coating will be applied on to the top hardwood layer for surface protection and abrasion resistance.

Compared to the solid wood flooring, engineered wood flooring provides greater stability and is less sensitive to changes in humidity attributable to its multilayer structure. In addition, engineered wood flooring retains the natural feel of solid wood flooring, and thus is widely applied in recent building projects in Hong Kong.

Set out below is a photo of our engineered wood flooring product.

Our solid wood flooring is manufactured from a single plank of solid wood which can be selected from different wood species, such as walnut, oak, cherry, beech, and sapelli. The selected solid hard wood are then dried for cutting, polishing and coating. The solid wood flooring exhibits the natural colour and texture of the bare wood.

Set out below is a photo of our solid wood flooring product.

The key features of our HUGO products are set out below.

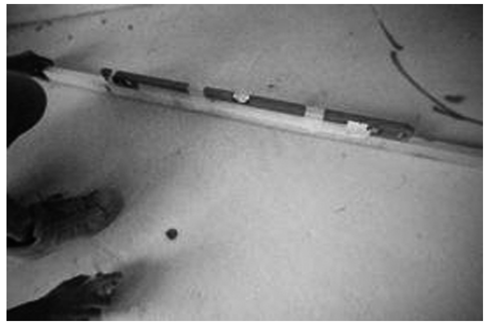
	Solid wood flooring		Engineered wood flooring	
Types	Plank	2 Strips/3 Strips	Plank	2 Strips/3 Strips
Length	600 to 1,800 mm	1,800–2,200 mm	600 to 1,800 mm	1,800–2,200 mm
Width	83–240 mm	132–192 mm	83–240 mm	132–192 mm
Thickness	15–18 mm	15–18 mm	15–18 mm	15–18 mm
Wood species	Walnut, American/Russian Oak, Canadian Maple, Cherry, Merbau, Beech, Sapelli			
Top layer	N/A	N/A	Minimum 3 mm thick hardwood	Minimum 3 mm thick hardwood
Intermediate layer	N/A	N/A	Either 3 or 7 layers of plywood	Either 3 or 7 layers of plywood
Adhesive between top layer & plywood	N/A	N/A	Meet E1 requirement regarding the emission of formaldehyde	Meet E1 requirement regarding the emission of formaldehyde
Surface coating	6–8 coats of ultra UV-Lacquers without excess formaldehyde with abrasion resistance.			

Set out below are photos of the key work procedures involved in the application of timber flooring products.

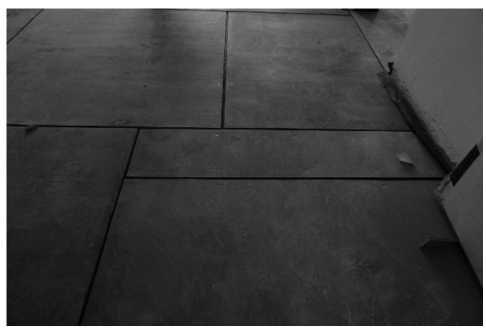
(i) Prior to application, (a) the flatness of the floor screed; and (b) cement sand slab will be checked

(a) Flatness check of the floor screed

(b) Cement sand slab check



(ii) Installation of plywood subflooring



(iii) Prior to installation of timber flooring strips, asphalt paper will be placed on the completed plywood sub-floor

(iv) Installation of timber flooring strips

(v) Installation of flooring skirts

During the Track Record Period, our HUGO products have been applied in over 140 residential projects. Set out below is a list of our top ten projects completed in relation to our HUGO products (based on total contract amount) during the Track Record Period and up to the Latest Practicable Date.

No.	**Completion date** *(Note)*	**Services provided**	**Engagement description**
1	December 2017	Supply and installation	Private residential project in Ho Man Tin
2	March 2015	Supply and installation	Private residential project in Yuen Long
3	November 2017	Supply and installation	Private residential project in Tuen Mun
4	October 2015	Supply and installation	Private residential project in Jordan
5	June 2017	Supply and installation	Private residential project in Tai Kok Tsui
6	October 2015	Supply and installation	Private residential project in Lok Wo Sha
7	March 2016	Supply and installation	Private residential project in Kau To Shan
8	October 2015	Supply and installation	Private residential project in Lok Wo Sha
9	February 2015	Supply and installation	Private residential project in Jordan
10	December 2017	Supply and installation	Private residential project in Yuen Long

Note: Completion date of the relevant projects refers to the date of the progress payment certificates issued by our customers with accumulated value covering 95% or above of total contract amount.

During the Track Record Period, our HUGO products were manufactured by three suppliers, being Supplier A, Supplier D and Supplier E (the "**HUGO Suppliers**"). Upon receipt of product specifications requested by our customers, we will instruct the relevant HUGO Supplier(s) to commence production in accordance with customers' requirements. Accordingly, we engage the HUGO Suppliers on an order-by-order basis. The HUGO Suppliers generally provide us with a price list for products of various specifications at the beginning of a year. Set out below are the material terms of price list received from the HUGO Suppliers.

- The price list is valid for a period of one year, subject to price fluctuations of +/-10%;
- Credit period of 30 days; and
- Transportation costs.

(b) German branded sports parquet products

For our customers undertaking indoor sport court/stadium projects, our Group offers German branded sports parquet products which are manufactured by a German company specialising in manufacturing wood flooring products, in particular indoor sport flooring products for over 55 years. With an environmental awareness, our supplier has met several environmental standards, including DIN EN ISO 14001 certification and European PEFC certification. The indoor sport flooring products manufactured by the German supplier have been widely recognised by major international sports associations, such as International Basketball Federation and World Squash Federation. Our Group has been cooperating with the German supplier and has become the distributor of its sports parquet products in Hong Kong since 2008.

Our German branded sports parquet products are available in different wood species such as oak, ash, beech and maple which are widely used as sport flooring materials for various sport disciplines, such as basketball and squash. Each of our German branded sports parquet product is manufactured with our supplier's surface finish techniques which help smoothen the product surface and enhance the durability of product. Depending on the sports disciplines for which the sport courts/stadiums are used, our customers can order sports parquet products with different materials and surface finish techniques which are most suitable for their projects.

The key features of our German branded sports parquet products are set out below.

Flooring system	**Product A**	**Product B**	**Product C**
Wood species		Oak, Ash, Beech, Maple	
Measurements	2200 x 180 x 12.6 mm	2200 x 180 x 18.3 mm	2200 x 180 x 18.3 mm
Construction height	34.6 mm	40.3 mm	87.3 mm
Surface		Pre-sealed	
Anti-bacterial		Yes	

During the Track Record Period, our German branded sports parquet products have been applied in one indoor sports flooring project, in which a public indoor sports centre was built in Yuen Chau Kok.

Other building materials

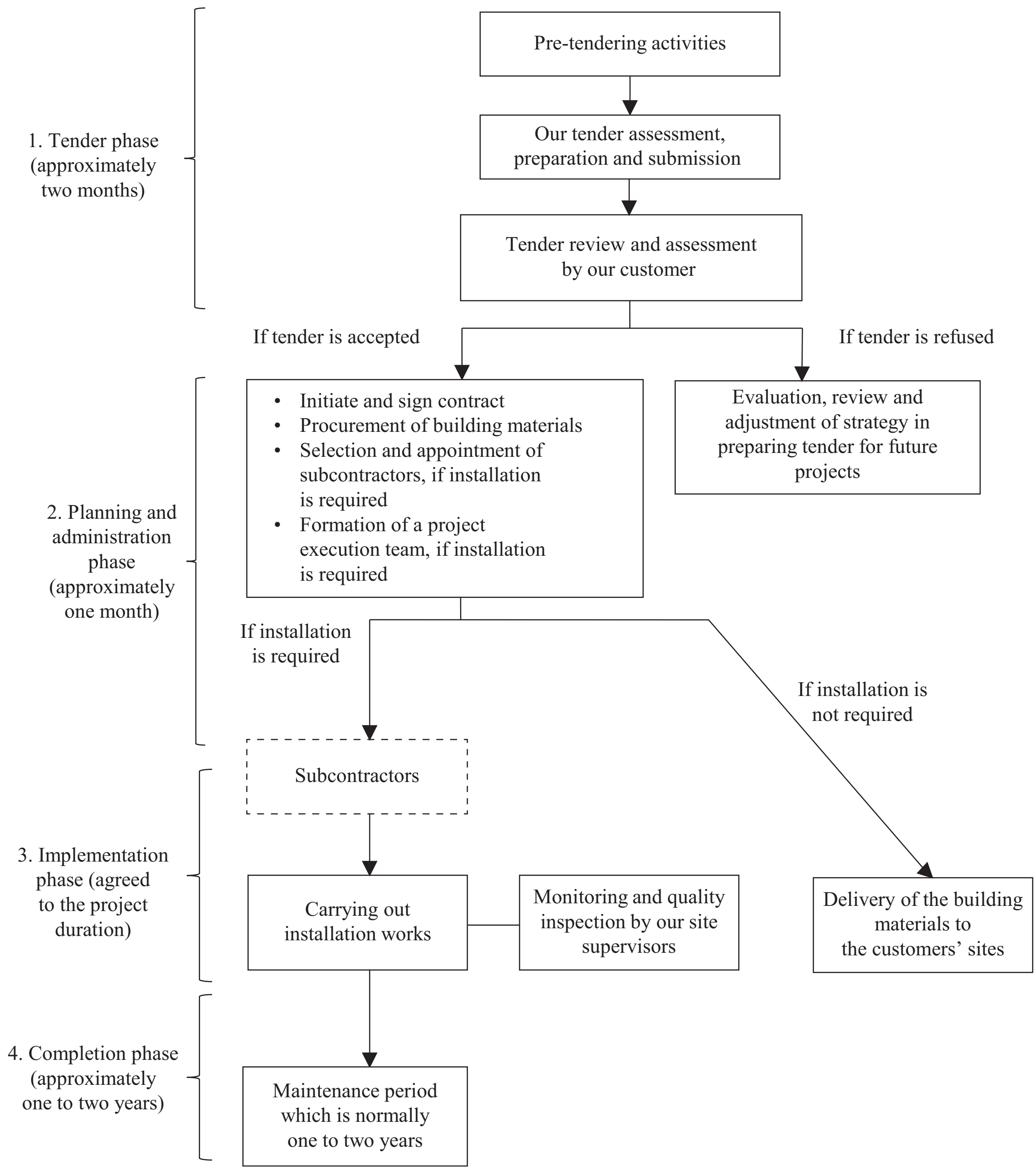
Other than interior wall-fill materials and timber flooring products, our Group also offers other building materials, such as GRC products, roof tiles and woodwork products on an *ad hoc* basis.

Our GRC products, which are made of glass fiber reinforced concrete with different designs, are mainly used for indoor and outdoor decoration purposes. During the Track Record Period, we were engaged in two projects where we provided pre-cast decoration materials and pre-cast statutes for a hotel and casino entertainment complex in Macau and a court house in Hong Kong respectively.

In addition, we also offer the relevant installation services of other building materials to our customers, if required, to meet their interior and exterior design requirements. Our Group will engage suppliers for the abovementioned other building materials as well as woodwork products and subcontractors for installation works upon receipt of the confirmation of the customer's order.

BUSINESS MODEL AND OUR OPERATIONS

Our operation mainly involves the preparation of tenders, execution of works, coordination and supervision of our subcontractors and ensuring the quality of our works in each project. For illustration purposes, a simplified flow diagram of our key operational procedures relating to our projects is set out below:



Note: The time frame above is for general reference only, and the actual time taken may vary from project to project depending on the complexity of the project, the requirements of individual customers, and/or our agreement with individual customers on the relevant timeframe for the relevant stages.

Details of key operational procedures as illustrated in the diagram above are set forth below.

1. Tender phase

Pre-tendering activities

We generally receive tender invitations from potential customers who had previously engaged us in other projects, principally being developers and main contractors for private and public sector projects. When preparing for the tender, we will invite the relevant suppliers and subcontractors to submit tenders or quotations to us according to our project specification as stipulated by our customers. Our Directors believe that our customers usually consider a number of factors such as (i) reputation and track record; (ii) business relationship; and (iii) price when selecting building materials. In addition, some of our customers may identify, assess and select certain building materials suppliers from time to time to update their internal approved list of suppliers by reference to the aforesaid factors.

When we receive tender invitations, we are normally provided with, amongst others, (i) project background; (ii) site information; (iii) type and quantity of building materials to be used; (iv) design drawings (if installation is required); and (v) the deadline for submission of tender, along with the invitations for preparation of the quotation and other tender submission documents.

For each tender invitation, our Directors would review the information provided in the tender invitation and then make a decision on whether to submit a tender to bid or not. The factors that would affect our Directors' decision mainly depend on the customer's reputation, the size and complexity of the proposed project, the current availability of our manpower and our subcontractors, and our operation capacity.

If our Directors consider that the proposed projects are not in our Group's best interests from a financial or business perspective, we may decline the tender invitations through emails. Otherwise, we will conduct the tender assessment and preparation works for the projects.

During the Track Record Period, other than the ordinary tenders which were held by our customers after they had secured projects from the employers of the projects, we have also been involved in pre-bid tenders held by our customers or have provided quotations to our customers for preparation of their tenders, where our customers have not yet been awarded the projects from the employers of the projects.

Tender success rates

We submitted 43, 47, 77 and 29 tenders for projects during the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively, of which we had received replies from our customers. Out of the abovementioned tenders, nil, nil, 11 and 5 tenders were pending results up to the Latest Practicable Date respectively. Our success rate for tenders submitted in the corresponding periods, excluding those pending results, were approximately 60.5%, 55.3%, 51.5%

and 50.0% respectively. The breakdown of our tenders submitted and success rates during the three years ended 31 March 2017 and the three months ended 30 June 2017 by sectors is set out below.

	Year ended 31 March			Three months ended 30 June
	2015	**2016**	**2017**	**2017**
Number of submitted tenders				
(i) Private sector	39	39	63	21
(ii) Public sector	4	8	14	8
Total	43	47	77	29
Success rates				
(i) Private sector	58.9%	53.8%	51.7%	55.0%
(ii) Public sector	75.0%	62.5%	50.0%	25.0%
Overall success rate	60.5%	55.3%	51.5%	50.0%

Tender success rate is calculated by taking the number of projects which we were finally awarded with divided by the numbers of tenders which we have submitted to our customers who have been awarded projects from employers of the projects.

For the two years ended 31 March 2015 and 2016, the number of tenders submitted by our Group was 43 and 47 respectively, and the respective tender success rate was approximately 60.5% and 55.3%, which was relatively stable over the two years. For the year ended 31 March 2017, the number of tenders submitted by our Group increased to 77, and the tender success rate decreased to 51.5%. For the three months ended 30 June 2017, the number of tenders submitted by our Group was 29, and the success rate was 50.0%. Subject to the availability of our Group's working capital and manpower, it is our strategy to be responsive to customers' invitations and submit tenders to customers in order to maintain business relationship with the customers and maintain our presence in the market.

Our tender assessment, preparation and submission

We will perform preliminary work after collecting the tender documents from our customers including (i) studying and understanding the scope of work and nature of building materials required for the project; (ii) reviewing design drawings and specifications to estimate the feasibility of undertaking such project based on the technical requirements and possible risks associated with such project (if installation is required); and (iii) clarifying any queries in the tender documents such as design drawings and specifications. In order to conduct a better assessment on the complexity of work, a site inspection may be performed if necessary.

Our management is responsible for reviewing and evaluating the commercial viability of potential projects based on several factors including the scope and complexity of the project, site conditions, project time frame, our relationship with potential customers, prevailing market conditions, estimated construction material costs and extent of subcontracted works (if installation is required).

Our contracts consist of (i) supply only contracts; and (ii) supply and installation contracts. With respect to supply and installation contracts, we will prepare specific tenders based on the design drawings or floor plans and customer's requirement. Generally, it takes up to ten days for both supply only and supply and installation contracts from the tender invitation to tender submission.

During the Track Record Period, we also participated in pre-bid tenders held by our customers, where our customers have not yet been awarded the projects from the employers of the projects. For the pre-bid tenders, to the best knowledge of our Directors, our customers might request a number of subcontractors to submit preliminary tenders in order to facilitate their cost assessment to bid for construction projects. After our customers are awarded with the projects, they will select subcontractors from the preliminary tenders' list, and require them to submit detailed tenders for their consideration. In such cases, the time taken until we ascertain the result of our tender submission may be longer. From time to time, our Group is also invited to provide quotations or referred by others who have cooperated with us in previous projects for undertaking new projects. Our directors understand that during the abovementioned processes, our Group will have to compete with all other subcontractors who (i) have been invited to tender/provide quotation/also been referred by others; (ii) are able to meet the project specifications and requirements; and (iii) have submitted tender or quotation for the relevant project.

Price determination

Generally, we price a project based on a cost-plus pricing model for both our supply only and supply and installation projects. Based on the experience of our management, we will prepare our tenders for projects by estimating our costs and gross profit margins of undertaking the projects with reference to various factors including (i) the scale, complexity and specifications of the projects; (ii) our capacity; (iii) the amount of building materials to be ordered; (iv) historical fees we received for similar projects; (v) the degree of competition at the contract negotiation stage; and (vi) the estimated amount of subcontracting costs, if any. Our management team will be responsible for preparing such tenders and quotations which are based on our estimates and available information at the time. When there are fluctuations in material prices, our Directors confirm that these would generally be taken in account during the next price determination process for future projects. Our Directors believe that we can pass on the increase in material prices to our future customers.

Our executive Directors are responsible for determining the final tender. Depending on specific requirements and complexity of each project, the required time for preparing a tender varies from case to case. With respect to our supply and installation projects, if our Group is required to perform extra works which are not included in the original project specifications, we and our customer will perform measurements and evaluate the variation orders to adjust the agreed contract sum.

Our customers' tender review and assessment

Our customers may raise queries and request to have interviews with us subsequent to the submission of our tenders for their projects. Our management will then respond to the queries raised by our customers, if any, and/or negotiate with our customers about the contract terms. In some cases, our customers might request us to perform mock-up installation of our building materials. We keep copies of each submitted tender, irrespective of its outcome. Such arrangement generally facilitates us to carry out evaluation, review and adjustment of our pricing strategy in preparing future tenders. It generally takes around two months for our customers to consider our tenders and inform us if they would award us with the projects.

Generally, once our tender is accepted by our customer, either a (i) letter of award; (ii) letter of acceptance; (iii) purchase order; or (iv) purchase contract will be issued which forms part of the contract. We will then commence the implementation of the project which includes procurement of building materials, selection of subcontractors and formation of a project team if installation is required. For supply and installation projects, as it takes time for our customers to prepare the contract documents, we may sign the contract documents with our customers at a later stage after the commencement of our works. For details of the major contract terms with our customers, please refer to the paragraph headed "Customers — Key project terms" in this section.

2. Planning and administration phase

Initiate and sign contract

A contractual relationship is established when we receive the letter of acceptance from the customer, or a contract is signed with the customer.

Procurement of materials

We procure building materials from our suppliers on a project-by-project basis and generally do not keep extra inventory since the building materials are delivered directly to our customers' sites. Owing to the nature of construction projects, we normally order and keep a nominal amount of extra building materials due to expected wastage occurred during the construction process and for subsequent rectification works at later stage for the relevant supply and installation projects. If we are awarded with contracts from our customer, we will follow-up with our suppliers regarding the delivery quantity and schedule accordingly. For our gypsum block products and German branded sports parquet products, we will directly contact the German suppliers to notify them of the product specifications required by our customers, whereas we will directly contact the suppliers in the PRC for our HUGO products. Regarding other building materials, we procure them from other suppliers in Hong Kong, the PRC and Singapore. In most cases, we will engage third-party logistics service providers to deliver most of the building materials to our customers' construction sites.

Selecting and appointing subcontractors if installation is required

For our supply and installation projects, we normally engage subcontractors for the installation works of the building materials. Our customers generally consent to our selection without any interference. Depending on the nature and the complexity of projects, our Directors will decide which subcontractors to be employed in accordance with their capabilities and historical track record. Please refer to the paragraph headed "Subcontractors" in this section for further details.

Formation of a project execution team if installation is required

Once a project is awarded to us, our sales and marketing department will share the information of the works and highlight the key features thereof to our procurement and logistics team. For our supply and installation projects, depending on the scale and complexity of individual projects, a project execution team will be formed for each project which normally consists of executive Director(s), technical advisor, senior project manager and senior project coordinator(s). A project execution team will be led by our executive Director(s) or senior project manager who shall be responsible for the management of each supply and installation project. The general responsibilities of our project teams normally include (i) studying the detailed work programme provided by our customers; (ii) liaising with our administrative staff on the procurement of building materials; (iii) handling of works and delegation of work tasks to subcontractors, if necessary; (iv) supervision of our work progress and work quality and implementation of safety measures; and (v) participation in project meetings and coordination with our customers, subcontractors, suppliers, and any other parties engaged by the employers of the projects to assess and review the progress of the projects and to identify and resolve any problems or issues which may arise during the project execution, if necessary.

Regarding our supply and installation project, once it is launched, our project team will monitor the progress of implementation for our construction works, keep frequent contact with our customers and their professional representatives and report the site progress to them and resolve any problems which may arise when carrying out the contract works. Our senior project manager and senior project coordinators are responsible for communicating with customers about any additional/variation works to be undertaken by us, which will entitle us to additional payments under the variation orders or instructions.

3. Implementation phase

For supply and installation projects

Carrying out installation works

Before the commencement of our works, we have to submit design or technical drawings as well as method statements to our customers for their review and approval. In some cases, customers may require us to perform mock-up installation of our building materials to demonstrate the installation method before deploying our subcontractors. Upon receipt of instructions from our customers to commence works at the construction sites, we will arrange subcontractors to be deployed at the construction sites.

Monitoring and quality inspection

Our project team holds internal meetings with our senior management from time to time to discuss the progress of our ongoing projects. In addition, we would normally hold progress meetings with our customers throughout the project to review the progress of the projects and to resolve any problems which may arise. Our customers may sometimes issue variation orders, which are agreements altering the scope of works of the contract in the form of additions, substitutions or omissions from the original scope of works.

Our senior project coordinators are responsible for supervising our subcontractors on site and our senior project manager will communicate with the relevant senior project coordinators from time to time to monitor the progress and to control the quality of works performed.

When our building materials are delivered to the specific construction site, our senior project coordinator(s) and/or customers will usually inspect the materials. In addition, our customers may also conduct sample testing on certain building materials to ensure they meet the specifications required. For further details on our quality inspection and testing of our products, please refer to the paragraph headed "Suppliers" in this section.

During the execution of our supply and installation projects, our customers would inspect our works done from time to time. Our Group normally submits payment applications specifying our works performed to our customers on a monthly basis depending on the scheduled duration of the projects and the amount of works performed by us. Our customers will then approve our payment applications upon their certification of our works performed.

Our project team will review the progress of our projects on a regular basis to mitigate the risk of delay in completing our projects. If any site falls behind the construction schedule, we will discuss internally to seek possible remedial actions such as requesting the relevant subcontractors to deploy more labour to the projects.

Duration of projects

The duration of our supply and installation projects are affected by a wide range of factors including but not limited to, (i) technical complexity; (ii) conditions of the construction sites; (iii) arrangement of our subcontractors; (iv) timing expectation of employers of the construction projects; (v) work programme of our customers; and (vi) variation orders, if any. Generally, we are required to complete our works in accordance with the work programmes provided by our customers, which may be revised from time to time. The expected project duration and completion times are usually stated in our contracts with our customers. The project periods of our supply and installation projects during the Track Record Period, which normally refer to the period between the commencement date stated in the contracts or in the first progress payment certificate and the date of the progress payment certificate with accumulated value covering 95% or above of total contract amount, ranged from around one to 31 months. However, in some circumstances the actual or final completion dates of our projects may be later than the scheduled completion date due to various reasons, mainly including unanticipated working conditions at the construction sites, adverse weather conditions and variation orders by customers.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay in project completion.

For supply only projects

Delivery of building materials

Regarding the projects in which installation services are not required by our customers, our logistics service providers will deliver the building materials directly to our customers' sites after we have confirmed the product specifications as well as the contract terms with our suppliers. The corresponding delivery arrangements are normally handled by our logistics service providers. Upon delivery of our products to our customers' sites, our customers' representatives will confirm the receipt of our products.

4. Completion phase

For supply and installation projects

Project completion

After completion of all our works under the contracts, we will submit our payment application for the last installment of progress payment (the "**final progress payment application**") to our customers for their review and approval. If our customers are satisfied with our works, they may approve our final progress payment applications. The maintenance period (normally one to two years) would take place either after the certification of our final progress payment application or the completion of the entire project by our customers or by the main contractors. During the maintenance period, we may be required to rectify all defective works at our own expense. During the Track Record Period, our Directors confirmed that we did not experience any material claim by our customers in respect of any defective works, and have not made provision for any repair and maintenance cost in respect of defective works during the maintenance period.

Progress payment

Under the contracts, our customers generally hold up a certain percentage of each progress payment made to us as retention money. The amount of retention money, which depends on negotiation with our customers, generally represents up to 10% of the value of our work done at each progress payment, subject to a maximum of 5% of the total contract sum. The terms and conditions on release of retention money may also vary from contract to contract. Generally, half of the retention money would be released to us upon or soon after certification of our final progress payment application by our customers and the remaining half would then be released to us upon the end of the maintenance period which would normally take place one to two years from the date of the certification of our final progress payment application or the completion of the entire projects by our customers or the main contractors.

Our Directors believe that it is a common practice in the industry that customers hold up a portion of progress payments as retention money in order to secure the due performance of all our obligations under the contract. As at 30 June 2017, the aggregate retention monies receivables held by our customers for our supply and installation works amounted to approximately HK$17.2 million. We expect all such retention money will be released according to the terms of the respective contracts and status of work done. Furthermore, the amount of retention money held by our Group from subcontractors is normally 5% to 10% of their progress payment and subject to a mutually agreed cap (which is normally 5% of the total contract sum). As at 30 June 2017, the aggregate retention monies payable to our subcontractors held by us amounted to approximately HK$1.6 million.

For details of progress payments from our customers to us and our progress payments to our subcontractors, please refer to the paragraphs headed "Customers — Key project terms — (b) Supply and installation projects — (iii) Progress payment" and "Subcontractors — Our subcontracting arrangements — Subcontracting fee and settlement terms" in this section.

For supply only projects

Issuing of invoices

After we receive confirmations from our customers regarding the delivery schedule of our products, we will then issue invoices to our customers upon delivery. Please refer to the paragraph headed "Customers — Key project terms" in this section for further details.

OUR PROJECTS

Completed projects

The following table sets out our completed projects with total contract amount of more than HK$5.0 million each during the Track Record Period and up to the Latest Practicable Date.

Project code	Project description	Location of project	Type of products/ services provided	Type of project (private or public project)	Project period	Total contract amount	Accumulated amount of revenue recognised during the Track Record Period and up to the Latest Practicable Date
						HK$ million	*HK$ million*
		(Note 3)			*(Note 1)*	*(Note 2)*	
A1	Hospitality project	Macau	Supply of gypsum block products	Private	December 2014 to May 2016	39.7	39.7
A2	Hospitality project	Macau	Supply of GRC products	Private	November 2013 to May 2015	36.9	36.9
A3	Hospitality project	Macau	Supply of gypsum block products	Private	December 2013 to March 2015	37.9	29.6
A4	Public Hospital project	Kai Tak	Supply and installation of gypsum block products	Public	October 2016 to September 2017	37.5	37.5
A5	Residential project	Ho Man Tin	Supply and installation of timber flooring products	Private	March 2016 to December 2017	30.2	30.2

Project code	Project description	Location of project (Note 3)	Type of products/ services provided	Type of project (private or public project)	Project period (Note 1)	Total contract amount *HK$ million* (Note 2)	Accumulated amount of revenue recognised during the Track Record Period and up to the Latest Practicable Date *HK$ million*
A6	Residential project	Yuen Long	Supply and installation of timber flooring products	Private	July 2014 to March 2015	27.9	27.1
A7	Residential project	Tuen Mun	Supply and installation of timber flooring products	Private	February 2017 to November 2017	27.8	27.8
A8	Public hospital project	Kai Tak	Supply of gypsum block products	Public	September 2016 to September 2017	26.4	25.4
A9	Residential project	Jordan	Supply and installation of timber flooring products	Private	March 2015 to October 2015	22.3	21.9
A10	Commercial project	Causeway Bay	Provision of refurbishment work services	Private	March 2017 to September 2017	21.6	21.6
A11	Residential project	Tai Kok Tsui	Supply and installation of timber flooring products	Private	July 2016 to June 2017	20.0	19.7
A12	Residential project	Lok Wo Sha	Supply and installation of timber flooring products	Private	July 2014 to October 2015	19.8	19.8
A13	Residential project	Kau To Shan	Supply and installation of timber flooring products	Private	July 2015 to March 2016	19.2	18.7
A14	Residential project	Lok Wo Sha	Supply and installation of timber flooring products	Private	August 2014 to October 2015	17.8	17.8
A15	Hospitality project	Sai Kung	Supply of gypsum block products	Private	December 2016 to December 2017	15.5	15.5

Project code	Project description	Location of project (Note 3)	Type of products/ services provided	Type of project (private or public project)	Project period (Note 1)	Total contract amount *HK$ million* (Note 2)	Accumulated amount of revenue recognised during the Track Record Period and up to the Latest Practicable Date *HK$ million*
A16	Residential project	Jordan	Supply and installation of timber flooring products	Private	April 2014 to February 2015	15.1	14.0
A17	Residential project	Lok Wo Sha	Supply and installation of gypsum block products	Private	October 2014 to June 2015	14.1	13.4
A18	Residential project	Yuen Long	Supply and installation of timber flooring products	Private	September 2015 to December 2017	14.1	14.1
A19	Residential project	Tsing Yi	Supply and installation of timber flooring products	Private	January 2015 to April 2015	13.4	13.2
A20	Commercial project	Hung Hom	Supply and installation of gypsum block products	Private	January 2017 to September 2017	12.6	12.6
A21	Public hospital project	Yau Ma Tei	Supply and installation of gypsum block products	Public	December 2015 to August 2016	11.9	11.5
A22	Commercial project	Shatin	Supply and installation of gypsum block products	Private	November 2013 to October 2014	11.5	3.4
A23	Residential project	Tseung Kwan O	Supply and installation of timber flooring products	Private	August 2016 to January 2017	11.5	11.4
A24	Private hospital project	Wong Chuk Hang	Supply of gypsum products only	Public	October 2015 to March 2017	11.2	11.2
A25	Residential project	Lok Wo Sha	Supply and installation of timber flooring products	Private	March 2016 to May 2016	10.4	10.4

Project code	Project description	Location of project *(Note 3)*	Type of products/ services provided	Type of project (private or public project)	Project period *(Note 1)*	Total contract amount *HK$ million* *(Note 2)*	Accumulated amount of revenue recognised during the Track Record Period and up to the Latest Practicable Date *HK$ million*
A26	Hospitality project	Saipan	Supply of gypsum block products	Private	August 2017 to December 2017	10.4	10.4
A27	Residential project	Causeway Bay	Supply and installation of timber flooring products	Private	November 2015 to April 2016	10.1	10.1
A28	Residential project	Kai Tak	Supply and installation of timber flooring products	Private	October 2015 to November 2015	10.1	10.1
A29	Residential project	Macau	Supply and installation of timber flooring products	Private	April 2015 to November 2015	9.1	9.1
A30	Residential project	Fanling	Supply and installation of timber flooring products	Private	April 2014 to December 2014	8.9	8.9
A31	Residential project	Kau To Shan	Supply and installation of timber flooring products	Private	March 2017 to November 2017	8.6	8.6
A32	Commercial project	Tseung Kwan O	Supply of gypsum block products	Private	June 2015 to December 2015	8.4	8.4
A33	Residential project	Lok Wo Sha	Supply and installation of timber flooring products	Private	March 2016 to August 2016	7.6	7.6
A34	Commercial project	Discovery Bay	Supply and installation of roof tiles	Private	July 2015 to April 2017	7.5	7.5
A35	Commercial project	Kowloon Bay	Supply of gypsum block products	Private	December 2014 to September 2016	7.1	7.1
A36	Private hospital project	Causeway Bay	Supply of gypsum block products	Public	September 2013 to May 2015	6.9	6.9
A37	Residential project	Lok Wo Sha	Supply of gypsum block products	Private	May 2015 to March 2017	6.8	6.8

Project code	Project description	Location of project (Note 3)	Type of products/ services provided	Type of project (private or public project)	Project period (Note 1)	Total contract amount *HK$ million* *(Note 2)*	Accumulated amount of revenue recognised during the Track Record Period and up to the Latest Practicable Date *HK$ million*
A38	Public hospital project	Kai Tak	Supply and installation of timber flooring products	Public	May 2017 to December 2017	6.8	6.8
A39	Commercial project	Tseung Kwan O	Supply of gypsum block products	Private	September 2014 to December 2014	6.4	6.1
A40	Residential project	Central	Supply and installation of timber flooring products	Private	April 2015 to August 2015	5.6	5.6
A41	Commercial project	Tseung Kwan O	Supply of gypsum block products	Private	March 2016 to January 2017	5.6	5.6
A42	Residential project	Tai Kok Tsui	Supply and installation of timber flooring products	Private	June 2016 to September 2017	5.4	5.4
A43	Residential project	Sai Wan	Supply and installation of timber flooring products	Private	December 2013 to April 2015	5.1	5.1
A44	Residential project	North Point	Supply of gypsum block products	Private	February 2015 to October 2016	5.0	5.0
A45	Residential project	Sai Wan	Supply and installation of timber flooring products	Private	February 2015 to March 2016	5.0	5.0

Notes:

(1) The project period covers the duration of our works with reference to the commencement date and the completion date of the relevant projects. Commencement date refers to the date set out in our records or the contracts or in the progress payment certificates issued by our customers or their authorised persons together with our Directors' judgement. Completion date refers to (i) the date of the progress payment certificates issued by our customers with accumulated value covering 95% or above of total contract amount for supply and installation projects; or (ii) the date of the last invoice issued to our customers for supply only projects.

(2) The total contract amount refers to the total of the contract sum and the amount from variation order(s), if any or the total revenue recognised from the relevant contract.

(3) The location of project is based on (i) the final delivery destination for the supply only project; and (ii) the location of the construction site for the supply and installation project.

Project backlog

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

	Year ended 31 March 2015	2016	2017	Three months ended 30 June 2017	Latest Practicable Date
Opening number of project *(Note 1)*					
— Supply of building materials only	10	12	16	12	15
— Supply and installation of building materials	14	31	16	31	40
Number of new projects *(Note 2)*					
— Supply of building materials only	35	43	39	11	17
— Supply and installation of building materials	47	30	38	18	13
Number of completed projects *(Note 3)*					
— Supply of building materials only	33	39	43	8	14
— Supply and installation of building materials	30	45	23	9	18
Ending number of projects *(Note 4)*					
— Supply of building materials only	12	16	12	15	18
— Supply and installation of building materials	31	16	31	40	35

Notes:

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

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

3. Number of completed projects means the number of projects where (i) the progress payment certificates issued by our customers have accumulated value covering 95% or above of total contract amount for supply and installation projects; or (ii) the last invoices have been issued to our customers for supply only projects.

4. Ending number of projects equals to the opening number of projects plus number of new projects minus number of completed projects during the relevant year or period indicated.

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

	Year ended 31 March			Three months ended 30 June	Latest Practicable Date
	2015	2016	2017	2017	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Opening value of backlog projects					
— Supply of building materials only	76,816	47,328	12,201	36,386	20,536
— Supply and installation of building materials	47,535	105,938	111,948	266,011	308,416
Contract amount of new projects *(Note 1)*					
— Supply of building materials only	76,918	38,226	90,088	3,433	12,746
— Supply and installation of building materials	187,349	149,521	290,480	108,450	36,124
Revenue recognised					
— Supply of building materials only	106,406	73,353	65,902	19,284	22,129
— Supply and installation of building materials	128,945	143,512	136,417	66,045	85,384
Ending value of backlog projects *(Note 2)*					
— Supply of building materials only	47,328	12,201	36,386	20,536	11,153
— Supply and installation of building materials	105,938	111,948	266,011	308,416	259,156

Notes:

1. Contract amount of new projects represents the total of the contract sum of new projects awarded to us and the amount from variation order(s), if any, or the total revenue recognised from the relevant new contract.

2. Ending value of backlog equals to the opening value of backlog plus contract amount of new projects minus revenue recognised during the relevant year or period indicated.

Projects in progress or yet to commence

As at the Latest Practicable Date, we had 53 projects in progress or yet to commence and the aggregate outstanding contract amount of the aforementioned projects was approximately HK$270.3 million. The following table sets out the details of our projects in progress with total contract amount of more than HK$5.0 million each as at the Latest Practicable Date.

Project code	Project description	Location of project *(Note 3)*	Type of products/ services provided	Type of project (private or public project)	Expected project period *(Note 1)*	Total contract amount *HK$ million* *(Note 2)*	Accumulated amount of revenue recognised as at the Latest Practicable Date *HK$ million*	Revenue expected to be recognised for the year ending 31 March 2018 *HK$ million*	Revenue expected to be recognised for the year ending 31 March 2019 *HK$ million*
B1	Public facilities project	Tsim Sha Tsui	Supply and installation of timber flooring products	Public	April 2016 to March 2019	69.9	1.5	—	68.4
B2	Residential project	Tseung Kwan O	Supply and installation of timber flooring products	Private	May 2017 to March 2018	25.9	1.3	24.6	—
B3	Residential project	Lok Wo Sha	Supply and installation of timber flooring products	Private	November 2017 to February 2018	17.9	1.3	16.6	—
B4	Residential project	Tseung Kwan O	Supply and installation of timber flooring products	Private	May 2017 to March 2018	17.8	0.9	16.9	—
B5	Public facilities project	Lantau Island	Supply of gypsum block products	Public	October 2016 to December 2017	15.3	14.0	1.3	—
B6	Residential project	Kau To Shan	Supply and installation of timber flooring products	Private	May 2017 to March 2018	14.1	3.7	10.4	—
B7	Residential project	Kai Tak	Supply and installation of timber flooring products	Private	May 2017 to March 2018	13.0	4.0	9.0	—
B8	Residential project	Kau To Shan	Supply and installation of gypsum block products	Private	September 2017 to March 2018	11.7	0.6	11.1	—
B9	Hospitality project	Tung Chung	Supply and installation of gypsum block products	Private	April 2017 to May 2018	10.4	3.3	5.3	1.8
B10	Residential project	Fortress Hill	Supply of timber flooring products	Private	October 2017 to August 2018	7.5	0.3	—	7.2
B11	Commercial project	Wanchai	Supply and installation of gypsum block products	Private	September 2017 to March 2018	6.8	0.6	6.2	—
B12	Residential project	Chai Wan	Supply and installation of timber flooring products	Private	April 2017 to March 2018	6.3	1.7	4.6	—
B13	Residential project	Ho Man Tin	Supply and installation of timber flooring products	Private	March 2015 to December 2017	5.2	4.8	0.4	—
B14	Residential project	Ma On Shan	Supply and installation of timber flooring products	Private	March 2017 to February 2018	5.1	4.2	0.9	—

Notes:

(1) Expected project period generally refers to the period in the work programme of the project or the period stated in the contract or letter of acceptance or tender or order to commence.

(2) The total contract amount refers to the total of the contract sum and the amount from variation order(s), if any or the total revenue recognised from the relevant contract.

(3) The location of project is based on (i) the final delivery destination for the supply only project; and (ii) the location of the construction site for the supply and installation project.

The following table sets out the details of our projects which were awarded but yet to commence with awarded contract sum of more than HK$5.0 million each as at the Latest Practicable Date.

Project code	Project description	Location of project (Note 3)	Type of products/ services provided	Type of project (private or public project)	Expected project period (Note 1)	Awarded contract sum HK$ million (Note 2)	Revenue expected to be recognised for the year ending 31 March 2018 HK$ million	Revenue expected to be recognised for the year ending 31 March 2019 HK$ million
C1	Residential project	Kai Tak	Supply and installation of timber flooring products	Private	July 2018 to December 2018	13.3	—	13.3
C2	Residential project	Kai Tak	Supply and installation of timber flooring products	Private	January 2018 to April 2018	11.1	5.6	5.5
C3	Public facilities project	Kwun Tong	Supply and installation of timber flooring products	Public	March 2018 to September 2018	10.9	—	10.9
C4	Residential project	Hunghom	Supply and installation of timber flooring products	Private	April 2018 to September 2018	9.1	—	9.1
C5	Residential project	North Point	Supply and installation of timber flooring products	Private	April 2018 to September 2018	7.6	—	7.6
C6	Residential project	Kau To Shan	Supply and installation of wooden doors	Private	August 2018 to December 2018	6.7	—	6.7
C7	Residential project	Central	Supply and installation of timber flooring products	Private	September 2018 to December 2018	5.4	—	5.4
C8	Hospitality project	Wong Chuk Hang	Supply and installation of gypsum block products	Private	January 2018 to June 2018	5.4	2.0	3.4
C9	Residential project	Sham Shui Po	Supply and installation of timber flooring product	Private	April 2018 to September 2018	5.2	—	5.2

Notes:

(1) Expected project period generally refers to the period in the work programme of the project or the period stated in the contract or letter of acceptance or tender or order to commence.

(2) The awarded contract sum refers to the original contract sum, without taking into account any variation order(s), if any or adjustments.

(3) The location of project is based on the location of the construction site for the supply and installation project.

SALES AND MARKETING

Our sales and marketing department is led by our marketing manager, and comprised five sales and marketing staff as at 31 March 2017. Our sales and marketing department is mainly responsible for (i) conducting marketing activities, such as trade shows and seminars; (ii) handling customers' queries and orders; (iii) soliciting new customers; and (iv) overseeing tendering activities. In addition, our sales and marketing staff also act as coordinators between our customers and our project teams to ensure that our products and services are delivered in accordance with our customers' requirements and specifications. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and keeping abreast of market developments and potential market opportunities. We believe that our past job references, established relationships with our customers and our network in the industry help strengthen our market position and attract customers to choose us as one of their preferred working parties.

During the Track Record Period, our business opportunities mainly arose from submitting tenders to our customers. Although we have established relationships with our existing customers, we also continuously seek to explore potential business opportunities in order to expand our customer base. Our Directors believe that our reputation in the building materials industry, proven track record, our registration with the Construction Industry Council on their list of Registered Subcontractors and well-established relationship with our existing customers enable us to capture business opportunities through the abovementioned sources.

CUSTOMERS

During the Track Record Period, our customers mainly included main contractors and subcontractors participating in both public sector and private sector projects. In addition to the above, our Group had also served other customers such as fitting-out companies and alteration and additions companies during the Track Record Period. All of our projects are conducted on a project-by-project basis. Our total revenue amounted to approximately HK$235.4 million, HK$216.9 million, HK$202.3 million, HK$30.9 million and HK$85.3 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Our revenue contribution by sectors during the Track Record Period is set out below.

	Year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$ million	*%*	*HK$ million*	*%*	*HK$ million*	*%*	*HK$ million* (unaudited)	*%*	*HK$ million*	*%*
Private sector	223.5	95.0	188.1	86.7	129.2	63.9	25.2	81.6	65.0	76.2
Public sector	11.9	5.0	28.8	13.3	73.1	36.1	5.7	18.4	20.3	23.8
Total	235.4	100.0	216.9	100.0	202.3	100.0	30.9	100.0	85.3	100.0

Major customers

During the Track Record Period, a majority of our five largest customers, who are Independent Third Parties, has a long-standing business relationship with us for over ten years. For the three years ended 31 March 2017 and the three months ended 30 June 2017, the total revenue attributable to them amounted to approximately HK$178.9 million, HK$112.7 million, HK$110.1 million and HK$60.9

million, representing approximately 76.0%, 52.0%, 54.4% and 71.4% of our total revenue respectively. During the same reporting period, total revenue attributable to our largest customer amounted to approximately HK$59.1 million, HK$33.8 million, HK$34.9 million and HK$21.2 million, representing approximately 25.1%, 15.6%, 17.2% and 24.9% of our total revenue respectively.

Set out below is the breakdown of our revenue from our five largest customers during the Track Record Period.

For the year ended 31 March 2015

Rank	Customer	Background of the customer	Products/services provided by our Group	Revenue for the year *HK$'000*	Approximate % of our total revenue	Length of business relationship since
1	Customer A	A subsidiary of a listed company in Hong Kong, providing general contracting, construction management and civil engineering works in Hong Kong. The revenue of the listed parent company for the year ended 30 June 2017 amounted to approximately HK$31,385 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	59,115	25.1	2003
2	Customer B	A private company providing building construction and maintenance services in Macau	(i) Gypsum block products; and (ii) GRC	36,884	15.6	2014
3	Customer C	A subsidiary of a listed company in Hong Kong, providing building construction works in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$25,568 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	35,467	15.1	2006
4	Paul Y. Engineering Group Limited *(Note 1)*	A subsidiary of a listed company in Hong Kong, providing building construction works in Hong Kong and Macau. The revenue of the listed parent company for the year ended 31 March 2017 amounted to approximately HK$6,127 million.	Gypsum block products	35,456	15.1	2014
5	Customer E	A subsidiary of a listed company in Hong Kong, providing construction, maintenance, renovation and design of building projects in Hong Kong. The revenue of the listed parent company for the year ended 31 March 2017 amounted to approximately HK$6,124 million.	(i) Timber flooring products and the relevant installation services; (ii) gypsum block products; and (iii) roof tiles and the relevant installation services	11,992	5.1	1993

For the year ended 31 March 2016

Rank	Customer	Background of the customer	Products/services provided by our Group	Revenue for the year *HK$'000*	Approximate % of our total revenue	Length of business relationship since
1	Paul Y. Engineering Group Limited	A subsidiary of a listed company in Hong Kong, providing building construction works in Hong Kong and Macau. The revenue of the listed parent company for the year ended 31 March 2017 amounted to approximately HK$6,127 million.	Gypsum block products	33,788	15.6	2014
2	Customer C	A subsidiary of a listed company in Hong Kong, providing building construction works in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$25,568 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	24,564	11.3	2006
3	Customer F	A subsidiary of a listed company in Hong Kong, providing building construction and civil engineering works in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$9,823 million.	Timber flooring products and the relevant installation services	22,589	10.4	2000
4	Customer A	A subsidiary of a listed company in Hong Kong, providing general contracting, construction management and civil engineering works in Hong Kong. The revenue of the listed parent company for the year ended 30 June 2017 amounted to approximately HK$31,385 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	17,357	8.0	2003
5	Customer G	A subsidiary of a listed company in Hong Kong, providing building construction, project management and investment holding in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$46,208 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products	14,440	6.7	2003

For the year ended 31 March 2017

Rank	Customer	Background of the customer	Products/services provided by our Group	Revenue for the year *HK$'000*	Approximate % of our total revenue	Length of business relationship since
1	Customer G *(Note 2)*	A subsidiary of a listed company in Hong Kong, providing building construction, project management and investment holding in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$46,208 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	34,867	17.2	2003
2	Hang Kee Engineering Co., Ltd. *(Note 3)*	A private company providing building construction and maintenance services in Hong Kong.	Gypsum block products	25,576	12.7	2014
3	Customer A	A subsidiary of a listed company in Hong Kong, providing general contracting, construction management and civil engineering works in Hong Kong. The revenue of the listed parent company for the year ended 30 June 2017 amounted to approximately HK$31,385 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	18,270	9.0	2003
4	Dao Kee Construction Company Limited	A private company providing building construction and maintenance services in Hong Kong	Timber flooring products and the relevant installation services	17,680	8.7	2016
5	Customer F	A subsidiary of a listed company in Hong Kong, providing building construction and civil engineering works in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$9,823 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products	13,740	6.8	2000

For the three months ended 30 June 2017

Rank	Customer	Background of the customer	Products/services provided by our Group	Revenue for the period *HK$'000*	Approximate % of our total revenue	Length of business relationship since
1	Paul Y. Engineering Group	A subsidiary of a listed company in Hong Kong, providing building construction works in Hong Kong and Macau. The revenue of the listed parent company for the year ended 31 March 2017 amounted to approximately HK$6,127 million.	(i) Gypsum block products; and (ii) provision of refurbishment work services	21,249	24.9	2014
2	Customer G *(Note 2)*	A subsidiary of a listed company in Hong Kong, providing building construction, project management and investment holding in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$46,208 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products and the relevant installation services	20,089	23.5	2003
3	Customer F	A subsidiary of a listed company in Hong Kong, providing building construction and civil engineering works in Hong Kong. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$9,823 million.	(i) Timber flooring products and the relevant installation services; and (ii) gypsum block products	8,004	9.4	2000
4	Customer H	A joint venture providing building construction tin Hong Kong	Gypsum block products	6,025	7.1	2016
5	Customer I	A subsidiary of a listed company in Hong Kong, providing building construction and building maintenance works in Hong Kong. The revenue of the listed parent company for the year ended 31 March 2017 amounted to approximately HK$4,759 million.	(i) Timber flooring products and the relevant installation services (ii) gypsum block products	5,558	6.5	2002

Notes:

(1) Customer consists of (i) Paul Y. Engineering Group Limited itself; and (ii) a joint venture Paul Y. Engineering Group Limited formed with Customer E, a subsidiary of a listed company in Hong Kong which is principally engaged in construction, maintenance, renovation, design and construction of building projects in Hong Kong. The revenue of the listed parent company for the year ended 31 March 2017 amounted to approximately HK$6,124 million.

(2) Customer consists of (i) Customer G itself; and (ii) a joint venture Customer G formed with a subsidiary of a listed company in Hong Kong which is principally engaged in property development and investment as well as building construction in Hong Kong, Macau and the PRC. The revenue of the listed parent company for the year ended 31 December 2016 amounted to approximately HK$6,917 million.

(3) During the Track Record Period, our Group also engaged Hang Kee Engineering Co Ltd to perform installation works of gypsum block products for some of our projects.

During the year ended 31 March 2017, our Group obtained certain gypsum block products from Paul Y. Engineering Group Limited ("**Paul Y**"), which amounted to approximately HK$1.2 million mainly for a public hospital project. Our Directors confirm that the abovementioned arrangement was mainly due to the request of our customer of the abovementioned project, being Hang Kee Engineering Co., Ltd. ("**Hang Kee**"), to deliver additional gypsum block products. Given our Directors were aware that Paul Y had unutilised gypsum block products at the time, our Directors liaised with Paul Y to obtain certain gypsum block products which included gypsum blocks and adhesives purchased from the German Gypsum Supplier due to our established business relationship. Our Group only purchased a portion of the gypsum block products originally sold to Paul Y to meet Hang Kee's additional requirement for the public hospital project. Save for the above, our Group did not purchase any building materials from any other major customers. The following table sets out the percentages of (i) revenue; (ii) costs; and (iii) gross profit attributable to Paul Y for the year ended 31 March 2017.

	For the year ended 31 March 2017	
	HK$'000	*Approximate %*
Paul Y		
Revenue derived from Paul Y and approximate % of total revenue	9,147	4.5%
Cost of materials obtained from Paul Y and approximate % of total cost of sales and services	1,182	0.9%
Average gross profit margin *(Note)*		43.3%

Note: The average gross profit margin was derived by dividing the sum of gross profit of all projects related to Paul Y by the total revenue derived from Paul Y for the respective year.

We believe that the cooperation between our Group and each of our major customers have benefited respective parties in capturing economic benefits and business growth as our major customers would often require the assistance of its subcontractors to fulfill their responsibilities under the contractual relationships with their customers.

None of our Directors, their close associates, or any Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, our Group had not experienced any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group's businesses.

Customer concentration

Our aggregated revenue attributable to our five largest customers amounted to approximately 76.0%, 52.0%, 54.4% and 71.4% for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively; whereas our revenue attributable to our largest customer amounted to approximately 25.1%, 15.6%, 17.2% and 24.9% respectively for the same periods. As shown above, the largest customers of our Group during the Track Record Period were different. According to the Industry

Report, it is common for building materials suppliers to rely on a few customers such as property developers and building construction contractors in Hong Kong. Our Directors consider that despite the customer concentration, our Group's business model is sustainable due to the following factors:

- Due to the nature of the building materials industry in which our Group is engaged in, our customer base is relatively concentrated with reputable main contractors and subcontractors in the building construction industry in Hong Kong. As a result, given the market landscape of the building construction industry in Hong Kong, the potential customer base of our Group is limited.

- It is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. Therefore, if we decide to undertake a certain project with large contract sum, the relevant customer may easily become our largest customer in terms of revenue contribution for the relevant financial year. Our Directors are of the view that this arrangement enables our Group to reduce administrative costs and increase our project management efficiency.

- We experienced a strong demand for our services from a wide range of customers during the Track Record Period. For the three years ended 31 March 2017 and the three months ended 30 June 2017, we received 43, 47, 77 and 29 tender invitations from customers respectively.

- Our Directors consider that we have a mutually beneficial business relationship with our major customers. Our experience and our proven track record as a quality building materials contractor in handling projects also give confidence to our customers to ensure that their projects would be completed on time, within budget and in accordance with their quality standards.

- Given that we have 11 top five customers in total throughout the Track Record Period, our Directors believe that our Group does not rely on few customers in generating our revenue.

Further details regarding our relationship with major customers have been disclosed in the paragraph headed "Risk factors — We depend on a number of major customers for a substantial portion of our revenue and failure to secure new business with them may materially and adversely affect our business, financial conditions and results of operations" of this prospectus.

Key project terms

The key project terms of our (a) supply only projects; and (b) supply and installation projects are set out below.

(a) Supply only projects

(i) Specification and quantity of products and unit price

The specification and quantity of building materials, and the corresponding unit price are specified in our contracts with our customers.

(ii) Deposit and payment terms

We generally require an initial deposit of up to 30% of the total contract sum to be paid upon signing of the contract, and the deposit will be utilised in proportion to each invoice amount upon delivery. For customers with established business relationship, our Group may lower or waive the deposit requirement after taking into account various factors such as the customer's payment record and years of business relationship. We will issue invoices to our customers upon delivery of our building materials. Generally, a credit period of up to 60 days is granted to our customers, and the amount is usually settled by cheque or bank transfer.

(iii) Delivery schedule

The delivery period will be agreed in the customer contract, stipulating the period for our Group to deliver the building materials. The actual delivery date is subject to further discussion according to the progress of the construction projects.

(iv) Warranty period

In most cases, our suppliers are directly responsible for the product warranties in relation to their building material products for our supply only projects. During the Track Record Period and up to the Latest Practicable Date, there were no actual material product liability claim against us, and we have not experienced any product return nor any major customer complaint about our products.

(b) Supply and installation projects

(i) Scope of works

The scope of work specifies the location of the construction site and the works which we need to perform with detailed specifications and design drawings annexed to the contracts.

(ii) Contract period

Both the expected commencement date and expected completion date are generally stipulated in the contracts between our Group and our customers. The actual or final completion date, however, may be later than the scheduled completion date due to various reasons, including but not limited to delay in the entire project schedule, variation orders by customers and adverse weather conditions.

(iii) Progress payment

We generally submit progress payment applications to our customers on a monthly basis with details relating to the amount of our works done. Our customers will then assess and certify our progress payment application and issue a progress payment certificate, which is approximately 30 days upon our submission of progress payment application. Normally, a credit period of up to 60 days is granted to our customers, and the amount is usually settled by cheque or bank transfer.

(iv) Variation orders

Our customers may sometimes issue variation orders where our customers amend the specification and scope of work from the original contracts. A variation order may increase, omit or vary the original scope of work and adjust the contract sum. The scope for the variation order will be agreed by us and our customers. The rights and obligations under the variation order will be same as that under the original contract.

Where the work for variation order is the same or similar to the work prescribed in the contract, the rates for the works under the variation order are generally in accordance with the provision of the schedule of rates in the contract. Should there be no equivalent or similar items under the construction contract for reference, our customer and our Group will negotiate for adjustment in contract price.

(v) Completion and retention monies

In general, we regard a project as practically completed (excluding the maintenance period) once we completed all the works set out in our contract. We will then submit our final progress payment application, being the last installment of progress payments, for our customer's review and approval. If our customer is satisfied with our works, they will then certify our final progress payment application.

Under the contracts between our customers and us, our customers will usually withhold up to 10% of the value of our works done from each progress payment as retention money, subject to a maximum of approximately 5% of the total contract sum. Generally, half of the retention monies would be released to us upon or soon after certification of our final progress payment application by our customer and the remaining half would then be released to us upon the end of the maintenance period which would normally take place one to two years from the certification of our final progress payment application or the completion of the entire project by the main contractor. As at 30 June 2017, our retention monies receivables amounted to approximately HK$17.2 million.

(vi) Maintenance period

Under our contracts, we are generally subject to a maintenance period and we may be responsible to rectify all defective works at our own expense during such period. The maintenance period, normally one to two years, would take place after the certification of our final progress payment application or the completion of the entire project by the main contractor, whichever is later. During the Track Record Period, our Directors confirm that there were no claims or complaints by our customers which resulted in material impact to our business operations and financial position.

(vii) Warranty period

In addition to the maintenance period, our Group will also provide warranties to our customers or the ultimate customers, depending on the terms of the contracts, for a pre-agreed period of time, during which we will guarantee the satisfactory performance of the relevant installation works completed against any faulty craftsmanship and building materials. During the Track Record Period, the length of the warranty periods granted for our completed supply and installation projects was up to ten years, depending on the nature and scale of the projects. The warranty period generally commences after the maintenance period of the project. The terms of the warranties vary from contract to contract. Nonetheless, our Group generally undertakes to rectify any defective work at our own cost within the warranty period, and that the warranty shall not cover any defects arising from causes such as acts of God and deliberate misuse.

(viii) Insurance

Generally, we are not required to take out employees' compensation insurance, contractor's all risk insurance and third party's insurance as we are covered under the insurance taken out by the main contractors. For details, please refer to the paragraph headed "Business — Insurance" in this section.

(ix) Liquidated damages

Some of our service contracts may contain clauses on liquidated damages to protect our customers against any significant delay in completion of works contracted to us. Such liquidated damages are determined on a daily basis with reference to the rates prescribed in the contract, whichever is applicable. However, under certain circumstances such as adverse weather conditions or issue of variation orders, our customers may grant us an extension of time so that we would not be liable to pay for liquidated damages to our customers. If we fail to complete the supply and installation works within the stipulated time set out in the contracts and/or cause unnecessary delay to project completion, we shall be liable for payment of liquidated damages. Our Directors confirm that no liquidated damages had been claimed by our customers against our Group due to significant delay in our completion of works during the Track Record Period and up to the Latest Practicable Date.

(x) Performance bonds

When we undertake supply and installation projects as a subcontractor, a performance bond of approximately 10.0% of the contract sum may be required by our customer to secure our Group's due performance of the contract. Such performance bond will be released at the expiry of the maintenance period as provided in the contract.

(xi) Termination

If we, in the opinion of our customers, fail to execute the works in accordance with our customers' requirements as set out in the contracts, and our works are unsatisfactory or likely to be so, and cause undue delay to the overall progress of the project, our customers may terminate our contract by giving advance notice of intention to do so. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any early termination of contracts by our customers.

SEASONALITY

Based on the experience of our Directors in relation to the industry in which we operate, and the operations of our Group, our Directors are of the view that the industry does not exhibit any significant seasonality due to the fact that public sector and private sector building/construction projects are generally ongoing throughout the year.

SUPPLIERS

Our Group's major suppliers include the suppliers of gypsum block products, timber flooring products and other building materials such as GRC and roof tiles. As a sole and exclusive distributor for our gypsum block products in Hong Kong, Macau, Malaysia and Singapore and a distributor of German branded sports parquet products in Hong Kong, we directly purchase the respective products from their manufacturers in Germany. Apart from gypsum block products and German branded sports parquet products, we purchase other building materials from a number of suppliers on our Group's approved supplier list. We review our internal approved list of suppliers from time to time to ensure that we have maintained a reasonably diversified base of reliable suppliers which offer competitive prices and to avoid over-reliance on a single supplier, save for our gypsum block products and German branded sports parquet products where we have distributorship arrangements with these manufacturing suppliers. We assess the overall performances of our suppliers based on track record, product quality, timeliness of delivery, stock sufficiency and price. In addition to the above, our Group maintains awareness of our product responsibility by (i) obtaining the business registration licences of suppliers to ensure that such suppliers are carrying on their business legally and within the scope of their business registration licences, and relevant documents evidencing compliance with applicable PRC laws and regulations relating to wood import such as customs clearance documents; (ii) conducting supplier background searches and web searches regarding any claims and/or information in relation to the supplier's product source of origin or product quality in the past; and (iii) obtaining forestry ownership certificates such as FSC and/or Programme for the Endorsement of Forest Certification from key suppliers, as well as their upstream suppliers, to ensure that their raw materials are obtained from legitimate sources for our FSC certified products requested by our customers. Since such certificates are awarded to the suppliers and are valid for five years, we obtain such certificates from the suppliers when we first engage them or upon the renewal of such certificates by the suppliers. Based on the above, our Directors are of the view, and the Sponsor concurs, that our Group is able to source FSC certified products from our suppliers which, along with other factors, enables us to fulfil the requirement of maintaining a FSC Chain of Custody certification. Such certification provides credible assurance that products which are sold with an FSC claim originate from well managed forests, controlled sources, reclaimed materials, or a mixture of these, and our Group is able to pass along the FSC claim to our customers. As at 30 June 2017, there were over 30 suppliers on our approved supplier list.

For HUGO products, our Group engages independent suppliers in the PRC to manufacture the products. Upon receipt of product specifications requested by our customers, we will instruct our manufacturing suppliers to commence production in accordance with customers' requirements. Our manufacturing suppliers are generally responsible for delivering the finished products to our customers' sites directly.

Save for HUGO products, in most cases, we will engage third-party logistics service providers for delivery of building materials to our customers' construction sites. Our logistics service providers will directly deliver the building materials to our customers' sites after we have confirmed the product specifications as well as the contract terms with our suppliers. Our Group and our customers will inspect the quality and the specification of the building materials upon receipt from logistics service providers. Our Directors confirm that during the Track Record Period, we had not experienced any significant shortage nor delay in delivery of building materials by our logistics service providers causing material disruption to our business operations.

Save for our gypsum block products and German branded sports parquet products where they provide us with a fixed price list of their building materials which would be applicable for a period of approximately one year, the prices of our building materials are generally determined on an order-by-order basis. When preparing our tenders to our customers, our Directors consider various factors, including the future price trend of the building materials and hence we could generally pass on the increase in costs to our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation in the costs of building materials that had a material impact on our business, financial conditions or results of operations.

Our suppliers normally grant us credit period of up to 60 days and we generally settle our payment by way of cheque or bank transfer. Further, our Directors also confirm that during Track Record Period we had no significant disputes with our suppliers causing material impact to our business, financial conditions or results of operations.

Major suppliers

For the three years ended 31 March 2017 and the three months ended 30 June 2017, all of our five largest suppliers, who are Independent Third Parties, have a long-standing business relationship with us for over five years, and the total aggregate purchases from them amounted to approximately HK$99.9 million, HK$93.7 million, HK$82.2 million and HK$35.8 million respectively, representing approximately 53.3%, 55.3%, 59.5% and 56.1% of our total cost of sales and services respectively. During the same reporting period, total purchases from our largest supplier amounted to approximately HK$33.1 million, HK$40.2 million, HK$47.0 million and HK$13.6 million respectively, representing approximately 17.7%, 23.8%, 34.0% and 21.3% of our total cost of sales and services respectively. The following tables set out the details of our five largest suppliers during the Track Record Period.

For the year ended 31 March 2015

Rank	Supplier	Background of the supplier	Major type(s) of products supplied	HK$'000	Approximate % of our total cost of sales and services	Length of business relationship since
1	Supplier A	A private company providing wooden floor in Hong Kong	Timber flooring products	33,062	17.7	2008
2	Supplier B	A German company specialised in manufacturing gypsum-based products	Gypsum block products	27,564	14.6	2009
3	Supplier C	A PRC company providing GRC materials	GRC	24,292	13.0	2010
4	Supplier D	A PRC company providing wooden floor	Timber flooring products	8,640	4.6	2012
5	Supplier E	A PRC company providing wooden floor	Timber flooring products	6,327	3.4	2009

For the year ended 31 March 2016

Rank	Supplier	Background of the supplier	Major type(s) of products supplied	HK$'000	Approximate % of our total cost of sales and services	Length of business relationship since
1	Supplier A	A private company providing wooden floor in Hong Kong	Timber flooring products	40,242	23.8	2008
2	Supplier B	A German company specialised in manufacturing gypsum-based products	Gypsum block products	26,053	15.4	2009
3	Supplier D	A PRC company providing wooden floor	Timber flooring products	15,252	9.0	2012
4	Supplier F	A private company providing building materials and the relevant installation services in Hong Kong	Timber flooring products	7,657	4.5	2009
5	Supplier G	A private company providing wooden floor in Hong Kong	Timber flooring products	4,462	2.6	2008

For the year ended 31 March 2017

Rank	Supplier	Background of the supplier	Major type(s) of products supplied	HK$'000	Approximate % of our total cost of sale and services	Length of business relationship since
1	Supplier B	A German company specialised in manufacturing gypsum-based products	Gypsum block products	47,019	34.0	2009
2	Supplier A	A private company providing wooden floor in Hong Kong	Timber flooring products	17,789	12.8	2008
3	Supplier F	A private company providing building materials and the relevant installation services in Hong Kong	Timber flooring products	7,268	5.3	2009
4	Supplier D	A PRC company providing wooden floor	Timber flooring products	6,286	4.6	2012
5	Supplier G	A private company providing wooden floor in Hong Kong	Timber flooring products	3,859	2.8	2008

For the three months ended 30 June 2017

Rank	Supplier	Background of the supplier	Major type(s) of products supplied	HK$'000	Approximate % of our total cost of sale and services	Length of business relationship since
1	Supplier B	A German company specialised in manufacturing gypsum-based products	Gypsum block products	13,617	21.3	2009
2	Supplier A	A private company providing wooden floor in Hong Kong	Timber flooring products	12,198	19.1	2008
3	Supplier F	A private company providing building materials and the relevant installation services in Hong Kong	Timber flooring products	5,976	9.4	2009
4	Supplier G	A private company providing wooden floor in Hong Kong	Timber flooring products	3,091	4.8	2008
5	Supplier H	A private company providing building materials in Hong Kong	Timber flooring products	910	1.4	2015

None of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Group as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period. All of these five largest suppliers are Independent Third Parties.

Reliance on the German Gypsum Supplier

For the three years ended 31 March 2017 and the three months ended 30 June 2017, the German Gypsum Supplier, being Supplier B, accounted for approximately 14.6%, 15.4%, 34.0% and 21.3% of our total costs of sales and services respectively.

Our Group has been cooperating with the German Gypsum Supplier continuously since 2009 and had signed an exclusive distributorship agreement with the German Gypsum Supplier as the sole and exclusive distributor of the gypsum block products in Hong Kong, Macau, Malaysia and Singapore since February 2014. To the best knowledge of our Directors, the German Gypsum Supplier has not entered into any distributorship agreements with other distributors in the aforementioned regions, and the German Gypsum Supplier shall refer inquiry cases to us for further handling whenever it receives direct inquiries from customers in the aforementioned regions. To the best knowledge of our Directors, the German supplier does not have any sales office and sales representative in the aforementioned regions, and along with above reasons, our Directors believe that there is mutual reliance between our Group and the German Gypsum Supplier in specific geographical locations including Hong Kong, Macau, Malaysia and Singapore. During the Track Record Period, none of our customers had specifically requested for the German Gypsum Supplier as their designated supplier.

Apart from the German Gypsum Supplier, our Directors are aware of other gypsum block product suppliers which manufacture similar products as the German Gypsum Supplier in other countries, such as Belgium, Russia, and the PRC. With other alternative suppliers in the market, our Directors do not foresee any practical difficulty in purchasing gypsum block products from other suppliers, if necessary. Over the years, the German Gypsum Supplier had always met our demand and fulfilled our requirements in a timely manner. Our Group has been adopting a business strategy not to shift to other suppliers for the sake of sustainable supply of gypsum blocks in view of our well-established relationship with the German Gypsum Supplier. Given the above, our Directors had not engaged other gypsum block suppliers during the Track Record Period.

Moreover, our Group intends to broaden our revenue source by expanding our product types, such as wooden doors and other woodwork products.

Given the background, in particular (i) the long-term business relationship with the German Gypsum Supplier; (ii) the flexibility in sourcing from other alternative suppliers; and (iii) our Group's effort to broaden the revenue source by expanding our product types, our Directors are of the view that the reliance on the German Gypsum Supplier is not extreme and we will be able to manage the risk of reliance on the German Gypsum Supplier.

Regarding the purchase price of the gypsum block products, we normally receive a price list from the German Gypsum Supplier, which sets out the price of its gypsum block products at the beginning of a year (the "**Annual Price List**"), and the Annual Price List is valid for one year. Then, for every subsequent order made by us within that year, the purchase price is determined in accordance with the Annual Price List without any discounts. The Annual Price List is revised by the German Gypsum Supplier annually. During the Track Record Period, our Group had not received any bulk purchase discounts from the German Gypsum Supplier.

Inventory

We generally purchase building materials on an as-needed basis and most of the building materials will be delivered directly to the project sites by our logistics service providers for our customers' use. Notwithstanding the above, we normally order and keep a nominal amount of extra timber flooring products in relation to our supply and installation projects at the Chai Wan Property due to expected wastage occurred during the construction process and for subsequent rectification works at later stage for the relevant supply and installation projects. Due to the bulkiness of gypsum block products, we do not keep such extra inventory at the Chai Wan Property. Owing to the limited storage space at project sites, our project team communicates with our customers and our suppliers regularly to arrange delivery schedules of the building materials in accordance with the progress of our customers' projects. Therefore, only the appropriate amount of building materials would be delivered at a time. Our Directors consider that the amounts of building materials stored at our customers' project sites and/or our warehouse during the Track Record Period were insignificant to our Group.

SUBCONTRACTORS

Regarding our supply and installation projects, our Group normally engages subcontractors to perform the relevant installation works of building materials.

By adopting our subcontracting business model, our Directors believe that our Group is able to maintain a low fixed cost in relation to overhead expenses and more effectively manage our projects by relying on others' established expertise and skill set as and when required. We are accountable to our customers for the execution and overall management of the projects. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractors for a project and do not limit which subcontractor to be engaged by us. According to the agreements we entered into with our subcontractors, our subcontractors are required to follow the conditions in our contracts with our customers.

Our Group maintains a selected list of subcontractors, who are assessed based on their (i) pricing; (ii) timeliness of delivery; (iii) previous working relationship and performance; (iv) past safety records; and (v) labour resources. We will review and update our list of subcontractors from time to time according to their performance. As at 30 June 2017, there were over 22 subcontractors on our list of subcontractors. During the Track Record Period, we engaged our subcontractors on a project-by-project basis and therefore did not have any long term agreements with our subcontractors.

During the Track Record Period, our Directors confirm that our Group did not experience any material dispute with our subcontractors nor any material shortage or delay in the supply of services by our subcontractors. Our Directors consider that the possibility of material shortage or delay is low given the availability of subcontractors in the market.

For the three years ended 31 March 2017 and the three months ended 30 June 2017, our Group's subcontracting cost amounted to approximately HK$43.5 million, HK$37.6 million, HK$44.3 million and HK$26.2 million respectively, representing approximately 23.2%, 22.2%, 32.1% and 41.1% of our total cost of sales and services respectively. During the same period, total aggregate subcontracting costs paid to our five largest subcontractors amounted to approximately HK$38.4 million, HK$39.3 million, HK$40.9 million and HK$22.7 million respectively, representing approximately 20.5%, 23.2%, 29.6% and 35.5% of our total cost of sales and services respectively; and the total subcontracting costs paid to our largest subcontractor amounted to approximately HK$26.0 million, HK$29.7 million, HK$20.8 million and HK$7.0 million respectively, representing approximately 13.9%, 17.5%, 15.1% and 11.0% of our total cost of sales and services respectively.

The following tables set out the details of our five largest subcontractors during the Track Record Period.

For the year ended 31 March 2015

Rank	Subcontractor	Principal services provided to us	HK$'000	Approximate % of our total cost of sales and services	Length of business relationship since
1	Subcontractor A	Installation of timber flooring products	26,021	13.9	2008
2	Subcontractor B	Installation of gypsum block products	5,586	3.0	2014
3	Subcontractor C	Installation of gypsum block products	3,168	1.7	2013
4	Subcontractor D	Installation of roof tiles	1,930	1.0	2009
5	Customer H	Installation of gypsum block products	1,646	0.9	2014

For the year ended 31 March 2016

Rank	Subcontractor	Principal services provided to us	HK$'000	Approximate % of our total cost of sales and services	Length of business relationship since
1	Subcontractor A	Installation of timber flooring products	29,693	17.5	2008
2	Subcontractor C	Installation of gypsum block products	4,196	2.5	2013
3	Subcontractor E	Installation of timber flooring products	2,654	1.6	2015
4	Subcontractor F	Installation of roof tiles	1,633	1.0	2009
5	Subcontractor B	Installation of gypsum block products	1,077	0.6	2014

For the year ended 31 March 2017

Rank	Subcontractor	Principal services provided to us	HK$'000	Approximate % of our total cost of sales and services	Length of business relationship since
1	Subcontractor A	Installation of timber flooring products	20,795	15.1	2008
2	Subcontractor C	Installation of gypsum block products	12,371	8.9	2013
3	Subcontractor G	Installation of gypsum block products	3,082	2.2	2016
4	Subcontractor F	Installation of roof tiles	2,765	2.0	2009
5	Subcontractor H	Provision of refurbishment work services	1,867	1.4	2017

For the three months ended 30 June 2017

Rank	Subcontractor	Principal services provided to us	HK$'000	Approximate % of our total cost of sale and services	Length of business relationship since
1	Subcontractor A	Installation of timber flooring products	7,020	11.0	2008
2	Subcontractor H	(i) Installation of timber flooring products; and (ii) provision of refurbishment work services	5,869	9.2	2017
3	Subcontractor C	Installation of gypsum block products	5,076	8.0	2013
4	Subcontractor I	Provision of refurbishment work services	2,694	4.2	2017
5	Subcontractor J	Provision of refurbishment work services	2,005	3.1	2017

None of our Directors, their close associates, or any Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Group as at the Latest Practicable Date) had any interest in any of our five largest subcontractors during the Track Record Period and up to the Latest Practicable Date.

Our subcontracting arrangements

The key aspects of our subcontracting arrangements with our subcontractors are set out below.

- *Scope of work* — The scope of work mainly involves the labour arrangements for installation of building materials including timber flooring products and gypsum block products, and other building materials such as roof tiles. Our subcontractors are only required to provide the requisite labour and our Group will provide the materials and equipments to the subcontractors to enable them to carry out the delegated works.

- *Project length* — To ensure projects are completed within the time stipulated in the subcontracting agreements and also our agreement with customers, our subcontractors are required to report regularly to our Group about the progress of works and our senior project coordinators would monitor their progress from time to time on the construction sites.

- *Subcontracting fee and settlement terms* — Our subcontractors are generally required to submit progress payment applications to us on a monthly basis. We will then review the works conducted by our subcontractors and verify the works completed before approving our subcontractors' progress payment applications. Our Group would generally withhold up to 10% of the progress payments from our subcontractors as retention money, subject to a maximum of 5% of the total contract sum. During the Track Record Period, our Group did not withhold retention money from some of our subcontractors after taking into consideration various factors, such as the length of our business relationships, their reputation, their financial strengths and previous working performance. Going forward, for our current subcontractors, if projects with contract sum amount to HK$5.0 million or above, we will withhold up to 10% of each progress payment from our subcontractors as retention money, subject to a maximum of 5% of the total contract sum, prior to paying the progress payment to our subcontractors. For projects with contract sum below HK$5.0 million, our Directors will determine the percentage of retention money to be withheld on a case-by-case basis, where our Directors will consider a number of factors including, but not limited to, length of our business relationship, past performance, reputation and financial strength of the subcontractors. Regarding any new subcontractors, we will withhold up to 10% of each progress payment from them as retention money, subject to a maximum of 5% of the total contract sum, regardless of the project size. Depending on the subcontracting arrangements, we may either release all the retention money to our subcontractors upon completion of their assigned works or release half of the retention money upon completion of their assigned works and release the remaining half upon the certification of our final progress payment application by our customers. As at 31 March 2017, our retention monies payables amounted to approximately HK$0.9 million.

- *Control over our subcontractors* — Our subcontractors are required to comply with the terms and conditions of our contracts with our customers including compliance with safety and environmental requirements. Our senior project coordinators would inspect the construction sites from time to time to ensure our subcontractors comply with the relevant requirements and to monitor the work progress and work quality. In addition, the employees of our subcontractors are generally required to undergo safety trainings provided by the main contractors prior to commencement of their works.

- *Rights and obligations of the parties* — Our subcontractors are generally required to comply with relevant terms and conditions in our contracts with our customers and perform their works in accordance with the relevant specifications in contracts with our customers.

QUALITY ASSURANCE

Our Directors believe that the success of our Group depends on our ability to consistently meet our customers' demands and requirements. To maintain consistent quality services for all our customers, we have established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015 in 2017. We have in-house quality assurance requirements specifying, amongst other things, specific work procedures for performing various types of works, responsibilities of personnel at different levels, and accident reporting. Compliance with these quality assurance requirements is mandatory for all our staff.

We emphasise quality control as we believe that good track record is key to securing business opportunities from our existing and potential customers. To ensure that our products and services meet the required standards, our project teams will perform inspections on our products and the installation works performed by our subcontractors from time to time. In addition, for our supply and installation projects, our project teams are also responsible for monitoring the project progress and ensuring that the projects are completed according to schedule.

For our supply and installation projects, our project team holds internal meetings with our senior management from time to time to discuss the progress of our ongoing projects. In addition, we would normally hold progress meetings with our customers throughout the project to review the progress of the projects and to resolve any problems which may arise. During the Track Record Period and up to the Latest Practicable Date, there was no material claim or complaint in relation to the quality of our performance and our subcontractors' performance against our Group by our customers and the cost incurred for rectifying defective works was immaterial.

Generally, we procure building materials from our internal approved list of suppliers. Upon delivery of the building materials from our suppliers, our staff would perform random checking to ensure that the building materials delivered match with the descriptions in our purchase record. Items found to be defective or which are not consistent to the product specifications stated in the purchase orders would be returned to the suppliers for replacement. Further, we may also conduct sample testing on certain building materials to ensure they meet the specifications required by our customers. For further details on our quality inspection and testing of our materials, please refer to the paragraph headed "Suppliers" in this section.

LICENCES AND QUALIFICATIONS

To the best knowledge and belief of our Directors, there is no specific licencing requirement for conducting our business in Hong Kong and Macau (except those which are applicable to all body corporate conducting business in Hong Kong and Macau). We also ensure our subcontractors have obtained the relevant licences or registration before engaging them.

As confirmed by our Directors, our Group had obtained all the necessary licences, permits, consents, qualifications, approvals and registrations which are required to carry out our Group's business activities in Hong Kong and Macau during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group has been registered under the Subcontractor Registration Scheme. The details of such registration held by our Group are as follows.

Type of registration	Granted by	Granted to	Trades	Specialties	Date of upcoming expiry
Registered Subcontractor	Construction Industry Council	Kwan Tai HK	Joinery and carpentry	Wooden flooring	2 November 2018
Registered Subcontractor	Construction Industry Council	Kwan Tai HK	Finishing wet trades	Brick/block work	2 November 2018

The Subcontractor Registration Scheme was introduced by the Construction Industry Council in order to build up a pool of capable and responsible subcontractors with specialised skills and professional ethics. The registration and its renewal for the Subcontractor Registration Scheme are subject to the satisfaction of certain entry requirements which primarily concern the applicant's experience and qualification in the relevant works. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and its renewal for the Subcontractor Registration Scheme. Our Directors confirm that our Group had not experienced and do not foresee any material difficulties in obtaining such renewal.

In addition, our Directors also confirm that we did not experience any refusal of grant or renewal of any required licences, permits, consents, qualifications, approvals and registrations. Our Directors are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents, qualifications, approvals and registrations.

EMPLOYEES

As at the Latest Practicable Date, we had 29 employees and all of them are stationed in Hong Kong. Set out below is the breakdown of Directors and employees by function as at 30 June 2017 and the Latest Practicable Date.

	As 30 June 2017	Latest Practicable Date
Directors	2	2
Project management staff	9	9
Sales and marketing staff	8	8
Finance and accounting staff	5	5
Administration and human resources staff	5	5
Total	29	29

Recruitment, remuneration and training policies

We believe that our employees are important assets to our Group, so we intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group offers attractive remuneration packages to our employees, which include basic salary and bonuses. We determine the salary of our employees mainly based on their qualifications, relevant work experience, position and seniority. Our Group conducts employee reviews annually and the results of which are used as a reference to determine any salary adjustments, annual bonuses and promotions. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with our Group's business development.

Our Directors believe that continuous education and training is important to maintain the service quality of our Group. Our Group encourages and arranges relevant personnel to attend training courses from time to time to keep them abreast of the latest developments and best practices in the industry to enhance their work performance.

Licences, qualifications and work permits of our staff

In order to ensure that our employees are legally eligible to work in Hong Kong and Macau with the relevant necessary licences and/or qualifications, we require our employees to present relevant qualifications or training certificates or working permits as required under the relevant laws and regulations prior to commencement of work at any of our customers' sites. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that no illegal workers were reported on the sites of any of our projects.

Relationship with staff

Our Directors consider that our relationship with our employees have generally been amicable and is expected to remain so in the future. Our Directors confirm that our Group has not experienced any significant problems with our employees or material disruption to our operations due to labour disputes nor has our Group experienced any difficulties in retention of experienced staff or skilled personnel during the Track Record Period.

OCCUPATIONAL HEALTH AND SAFETY

Our Group is committed to providing a safe and healthy working environment to our staff and others who may be affected by our projects. Regarding our supply and installation projects, our employees are generally not engaged in the provision of any installation works and the principal exposure of our employees to any work safety occurs when our employees are required to be on-site for site visits and perform inspections of our projects' progress. We emphasise to our employees that strict compliance with safety requirements is vital to ensure that there are no accidents to themselves or others that work on our projects.

All of our installation works are carried out by our subcontractors who are qualified as floor layer (timber flooring) or bricklayer. As such, to the best of our ability, we require our subcontractors who undertake our projects to abide by all safety laws, rules, regulations, measures and procedures as well as all safety requirements to comply with all current enactments relating to their works.

During the Track Record Period, no prosecution has been laid against us by any relevant authorities in respect of violation of applicable laws or regulations of health and safety. Our Directors confirm that no material injury and fatal accident was recorded on the sites for which we were responsible during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENT

Our business is subject to certain laws and regulations in relation to environmental protection. Please refer to the paragraph headed "Regulatory overview" of this prospectus which sets out further information about the laws and regulations in relation to environmental protection. Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers' demands in environmental protection and at the same time meeting the community's expectation for a healthy living and working environment. We have obtained the certification granted by FSC in 2017, of which the raw materials of our wood flooring products and our finished wood flooring products are certified as FSC materials for construction and wooden floor.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there was no material breach of or non-compliance with the applicable laws and regulations related to environmental protection.

INSURANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, all supply and installation projects were covered and protected by the employees' compensation insurance taken by us or the main contractors, contractor's all risks insurance and third party insurance taken out by the main contractors of the projects. Such insurance policies covered and protected all employees of the main contractors and subcontractors of all tiers working at the relevant construction sites, and works performed by them at the relevant construction sites. Our Group also maintains insurance policies to protect our office premises and warehouse against a range of risks, including, among others, loss and theft of, and damage to, our property, equipment, and inventory and injuries to our Directors and employees working in our office premises and warehouse. In addition, our Group also obtained insurance for the cargo transportation of gypsum block products from the manufacturing supplier in Germany to Hong Kong.

Save as disclosed above and unless specifically required in contracts with our customers, we normally do not purchase separate insurance policies in relation to each project but will rely on the insurance policies taken out and maintained by the main contractors.

Our Directors believe that the current insurance policies taken out by our Group and the main contractors provide sufficient coverage of the risks to which we may be exposed and are in line with the industry norm. For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our insurance expenses were approximately HK$140,000, HK$180,000, HK$185,000, HK$10,000 and HK$26,000 respectively.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group is the owner of a domain name **www.kwantaieng.com** and had registered two trademarks and had applied for registration of a trademark in Hong Kong. For details, please refer to the paragraph headed "B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus.

As at the Latest Practicable Date, save for the above, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activities.

PROPERTIES

Owned properties

As at 4 August 2017, our Group had two owned properties in Hong Kong. The first owned property is Unit B4, 11/F, Fortune Factory Building, No.40 Lee Chung Street, Hong Kong which is used for storage purpose (the "**Chai Wan Property**"). The Chai Wan Property is mainly used for maintaining extra building materials due to expected wastage occurred during the construction process and for subsequent rectification works at later stage for our supply and installation projects of timber flooring products. Due to (i) the dimension and bulkiness of our gypsum block products and (ii) the limited floor area at the Chai Wan Property, our Directors confirm that no gypsum block product was stored in the Chai Wan Property during the Track Record Period. As at the Latest Practicable Date, our Directors confirm that most of the floor area at the Chai Wan Property had been utilised. As at 31 October 2017, the property was valued at approximately HK$11.5 million.

On 4 August 2017, our Group completed the purchase from an Independent Third Party of a property is located at Unit No.5 on 8th Floor Eastern Centre, No.1065 King's Road, Quarry Bay, Hong Kong, with a consideration of approximately HK$20.4 million (the "**Quarry Bay Property**"). The above consideration had been fully settled by (i) a deposit of approximately HK$2.0 million which was paid after the Track Record Period and was from internal resources; (ii) approximately HK$10.2 million was financed by way of bank loan; and (iii) HK$8.2 million was paid by internal resources of our Group. Our Directors confirm that we will not renew the lease of the Unit 801 (as defined below) after the expiry of the lease term on 31 July 2018, and the Quarry Bay Property will replace the function of the Unit 801.

Please refer to the valuation report set out an Appendix III to this prospectus for further details of our owned properties.

Leased properties

In addition, our Group also leased eight properties as Director's quarter, office premises and car parking spaces as at the Latest Practicable Date. One of our leased properties is leased from Sun Warm, a connected person of our Company, and such lease will constitute continuing connected transaction which is exempt from announcement, reporting, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules after the Listing. Details of which is set out in the section headed "Connected transactions" of this prospectus. As at the Latest Practicable Date, details of our leased properties are set out in the following table.

Address	Landlord	Term	Monthly rental	Usage
Unit 801, 8/F Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong (the "**Unit 801**")	An Independent Third Party	1 August 2016 to 31 July 2018	HK$57,000	Industrial with ancillary office use
Unit 806, 8/F Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong	Sun Warm	1 April 2016 to 31 March 2018	HK$64,000	Industrial with ancillary office use
Car parking space No. P16 of Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong	An Independent Third Party	26 November 2016 to 25 November 2018	HK$3,500	Car parking space

Address	Landlord	Term	Monthly rental	Usage
Car parking space No. P17 of Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong	An Independent Third Party	Commencing from 1 March 2015 and may be terminated by one-month notice by either party	HK$3,200	Car parking space
Car parking space No. P19 of Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong	An Independent Third Party	Commencing from 15 January 2017 and may be terminated by one-month notice by either party	HK$2,500	Car parking space
Car parking space No. P20 of Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong	An Independent Third Party	Commencing from 15 November 2010 and may be terminated by one-month notice by either party	HK$2,500	Car parking space
Car parking space No. A4 of Eastern Centre No. 1065, King's Road Quarry Bay Hong Kong	An Independent Third Party	Commencing from 1 October 2014 and may be terminated by one-month notice by either party	HK$2,400	Car parking space
Flat 2, 8/F, Block A Winfield Building No. 3 Ventris Road Happy Valley Hong Kong with car parking spaces No. D37 & D37A	An Independent Third Party	15 October 2016 to 14 September 2018	HK$129,000	Director's quarter

During the Track Record Period, we have not experienced any difficulty in renewing our leases. Our Directors confirmed that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates and/or other factors (including location of the property). As at the Latest Practicable Date, we had complied with all the applicable laws in respect of our leased properties in all material respects.

CERTIFICATIONS AND AWARDS

The following table sets out our major certifications and awards.

Certification/award	Date of grant	Nature	Awarding organisation or authority	Expiry date
Silver — HKGBC Green Product Accreditation and Standards (HK G-PASS)	27 June 2017	Compliance with the assessment standard of the HKG-PASS in relation to gypsum blocks	HKGBC	26 June 2020
Good Performance Contractor (Timber Flooring)	16 June 2017	Recognition of our timber flooring products and the relevant installation services in residential projects in Kennedy Town and Lok Wo Sha	Customer C	N/A
ISO 9001:2015	22 April 2017	Certification of quality management system	Accredited Certification International Limited	22 April 2020
FSC Chain of Custody Certification	10 May 2017	Certification of the purchase and sales of FSC materials for construction and wooden floor	Exova BM TRADA	9 May 2022
Caring Company	10 February 2017	Recognition of our commitment in caring for the community, the employees and the environment	The Hong Kong Council of Social Services	N/A

Certification/award	Date of grant	Nature	Awarding organisation or authority	Expiry date
Good Performance Contractor (Timber Flooring)	30 June 2014	Recognition of our timber flooring products and the relevant installation services	Customer C	N/A
High Quality Contractor	29 September 2015	Recognition of our timber flooring products and the relevant installation services in a private residential project in North Point	Customer C	N/A
High Quality Contractor	29 September 2015	Recognition of our timber flooring products and the relevant installation services in a private residential project in Sai Ying Pun	Customer C	N/A

COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not in breach of the applicable laws, rules and regulations, which, in the opinion of our Directors, is likely to have a material adverse impact on our business, prospects, financial conditions or results of operations.

To ensure that our Group continues to comply with the applicable laws, rules and regulations, we maintain records of our licences, permits, consents, qualifications, approvals, registrations and certifications which contain relevant information such as expiry dates and renewal requirements. Our administration and human resources department is responsible for making submissions to the relevant organisations or authorities prior to the expiry of such licences, permits, consents, qualifications, approvals, registrations and certifications and checking that all applicable requirements are complied with in a timely manner. Our executive Directors will review our licences, permits, consents, qualifications, approvals, registrations and certifications from time to time to ensure that they are all valid.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have also given indemnities to our Group on a joint and several basis against all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by our Company and/or other relevant members of our Group as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations in any jurisdiction by any member of our Group under the Deed of Indemnity. For more details of the Deed of Indemnity, please refer to the paragraph headed "E. Other Information — 1. Tax and other indemnities" in Appendix V to this prospectus.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

Our Group may from time to time be involved in litigation in the ordinary course of business. Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings against our Group or any of our Directors which could have a material and adverse effect on our financial conditions or results of operations.

Litigations, arbitrations and claims against our Group settled during the Track Record Period and up to the Latest Practicable Date:

Nature of claims	Name of plaintiff	Details of proceedings	Amount
A claim was made by the plaintiff for certain commission allegedly payable under his employment by Kwan Tai HK and Tristar A counterclaim was made by Kwan Tai HK for certain loans in the sum of HK$600,000 provided by Kwan Tai HK to the Plaintiff	Wong Long Hin	Pursuant to a judgment made on 24 June 2014, the Plaintiff's claim was dismissed, and judgment was entered for Kwan Tai HK's counterclaim in the sum of HK$400,000, with costs awarded to Kwan Tai HK	HK$1,028,318.26 (being the sum of HK$400,000 (Kwan Tai HK's counterclaim) and HK$628,318.26 (taxed costs of Kwan Tai HK)) was paid by the plaintiff to our Group

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that to the best of their knowledge, they were not aware of any threatened or pending litigation, arbitration or administrative proceedings against our Group or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

Our Directors believe that corporate governance and risk management are crucial to the development and success of our business. Therefore, we have adopted corporate governance measures and risk management measures in various aspects of our business operations. We have adopted certain internal control policies to manage and minimise financial and other risks to ensure timely and accurate preparation and reporting of financial information and to monitor compliance with laws by the senior management personnel of our Group in the performance of their duties. In particular, our non-executive

Director, Mr. Wan Ho Yin, is responsible for advising the internal audit function of our Group and performing independent appraisal of the adequacy and effectiveness of our Group's risk management and internal control systems.

Our Group has maintained an internal control system into its organisational structure. In preparation of the Listing, we have engaged an independent external consulting firm as our internal control adviser in February 2017 to undertake a review on our internal control system on internal control environment, risk assessment, information and communication, monitoring activities, financial close reporting process, revenue and receipts, procurement and payments, cost of services and payment, bank and cash management, fixed assets management, human resources and payroll management, insurances, taxation, contract sum estimation and accounting, contract cost budgeting, provisioning, work safety, health and environmental management, information technology general controls and compliance procedures of certain rules and regulation such as Chapter 13 Continuing Obligations, Chapter 14 Notifiable Transactions, Chapter 14A Connected Transaction, Appendix 14 Corporate Governance, Appendix 16 Financial Information of the Listing Rules and Part XIVA of Securities and Futures Ordinance: Disclosure of Inside Information. Our internal control adviser mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong.

Our internal control adviser has completed a follow up review on the enhanced internal control measures in May 2017 and confirmed that all the weaknesses had been rectified. After considering our remedial actions and results of the reviews by our internal control adviser, our Directors are of the view that these enhanced internal control measures are adequate and effective for our Group's operations.

Prior to the Listing, we entered into a number of related party transactions, details of which are set out in Note 37 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

Following the Listing, we will continue to carry out the following transactions with the following parties and such transactions will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

Details of these transactions are set out in this section below.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions set forth below will constitute exempt continuing connected transactions of our Group for the purpose of Chapter 14A of the Listing Rules.

1. Headquarters Tenancy Agreement

Sun Warm is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of investment holding. As at the Latest Practicable Date, Sun Warm is directly and beneficially owned as to 50% by Mr. Lo and as to 50% by Ms. Fung, each an executive Director and a Controlling Shareholder, hence Sun Warm is an associate of Mr. Lo and Ms. Fung, and a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.

A tenancy agreement dated 1 April 2016, as supplemented by a supplemental tenancy agreement dated 17 May 2017 (together, the "**Headquarters Tenancy Agreement**") were entered between Sun Warm as landlord and Kwan Tai HK as tenant, under which Sun Warm agreed to lease a property located at Unit 806, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong with a gross floor area of approximately 3,567 square feet to Kwan Tai HK, for a two-year term commencing from 1 April 2016 and ending on 31 March 2018. Pursuant to the Headquarters Tenancy Agreement, the monthly rental payable to Sun Warm shall be in the sum of HK$64,000 (exclusive of Government rent, management fees, bills of water, electricity and telephone, and other miscellaneous fees which are payable by Kwan Tai HK). The monthly rental under the Headquarters Tenancy Agreement was determined on an arm's length basis between Sun Warm and Kwan Tai HK.

Since 2007, our Group has been leasing the abovementioned property from Sun Warm for use as our headquarters and principal place of business in Hong Kong. The aggregate amounts of rent paid by Kwan Tai HK to Sun Warm for each of the three years ended 31 March 2017 and the three months ended 30 June 2017 amounted to HK$456,000, HK$768,000, HK$768,000 and HK$192,000 respectively. As our principal place of business is well established, we currently do not, and in the foreseeable future will not, have any plan to relocate to alternative properties, which we believe is in the interest of our Company and our Shareholders as a whole in terms of operational stability.

The Headquarters Tenancy Agreement will continue after Listing, and the proposed annual caps contemplated under the Headquarters Tenancy Agreement will be HK$1,000,000 for each of the three years ending 31 March 2020 respectively. The above proposed annual caps were determined based on the prevailing market rent of the said property.

Our Directors consider that entering into the Headquarter Tenancy Agreement is in our ordinary and usual course of business, the monthly rental was determined between the parties on arm's length negotiations with reference to the then prevailing market conditions, the rental rate of similar properties in terms of location and floor area and is in alignment with the market rental rate, the terms therein (including the proposed annual caps) are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Listing Rules implications

Since each of the applicable percentage ratios (other than the profits ratio) for the transaction contemplated under the Headquarters Tenancy Agreement is less than 5% with annual total consideration of less than HK$3,000,000, the transaction stipulated under the Headquarters Tenancy Agreement constitutes *de minimis* continuing connected transaction under Rule 14A.76 of the Listing Rules, which will be fully exempt from independent Shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules upon Listing.

2. Employment Agreement with Ms. Lo

Ms. Lo (who is the daughter of Mr. Lo and Ms. Fung) is an associate of Mr. Lo and Ms. Fung, each an executive Director and a Controlling Shareholder, hence Ms. Lo is a connected person of our Company under Rule 14A.12(2)(a) of the Listing Rules. Biographical details of Ms. Lo are set out in the section headed "Directors, senior management and employees — Senior management" of this prospectus.

On 7 September 2016, Ms. Lo entered into a written employment contract (the "**Employment Agreement with Ms. Lo**") with Kwan Tai HK as administration manager. She was subsequently promoted to the position of chief operating officer in December 2017. We expect Ms. Lo shall continue to be employed by our Group in the same position upon and following the Listing. Our Directors estimate that the annual salary payable to Ms. Lo shall not exceed HK$1,000,000 for each of the three years ending 31 March 2020 respectively, as determined by our Directors with reference to the contractual amount payable under the Employment Agreement with Ms. Lo, and the expected increase in her salary during the contractual period.

Our Directors consider that entering into the Employment Agreement with Ms. Lo is in our ordinary and usual course of business and the terms therein (including the monthly salary and the proposed annual caps) are on normal commercial terms and are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Listing Rules implications

Since each of the applicable percentage ratios (other than the profits ratio) for the transaction contemplated under the Employment Agreement with Ms. Lo is less than 5% with annual total consideration of less than HK$3,000,000, the transaction stipulated under the Employment Agreement with Ms. Lo constitutes *de minimis* continuing connected transaction under Rule 14A.76 of the Listing Rules, which will be fully exempt from independent Shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules upon Listing.

Our Board consists of six Directors, among which there are two executive Directors, one non-executive Director and three independent non-executive Directors. Our executive Directors and senior management are involved in the day-to-day management of our business.

The following table sets out certain information in respect of our Directors.

Name	Age	Date of joining our Group	Date of appointment as Director	Present position	Major roles and responsibilities	Relationship with other Directors and senior management
Mr. Lo Wing Cheung (盧永錩)	60	13 September 1988	8 February 2017	Chairman, chief executive officer and executive Director	Overall management of the strategic planning and business development activities of our Group	Spouse of Ms. Fung; father of Ms. Lo
Ms. Fung Pik Mei (馮碧美)	56	10 July 1997	8 February 2017	Executive Director	Overseeing the day-to-day business operations of our Group	Spouse of Mr. Lo; mother of Ms. Lo
Mr. Wan Ho Yin (溫浩然)	40	22 June 2017	22 June 2017	Non-executive Director	Overseeing the internal audit function, risk management and internal control systems of our Group	None
Mr. Shu Wa Tung Laurence (舒華東)	45	19 December 2017	19 December 2017	Independent non-executive Director	Providing independent advice to our Board	None
Mr. Tam Wai Tak Victor (譚偉德)	40	19 December 2017	19 December 2017	Independent non-executive Director	Providing independent advice to our Board	None
Mr. Tam Wing Lok (譚永樂)	42	19 December 2017	19 December 2017	Independent non-executive Director	Providing independent advice to our Board	None

The following table sets forth certain information in respect of the senior management of our Group.

Name	Age	Date of joining our Group	Date of appointment as senior management	Present position	Major roles and responsibilities	Relationship with other Directors and senior management
Mr. Ho Shing Chak Stephen (何承澤)	63	1 April 2017	1 April 2017	Technical advisor	Project tendering and project management for our Group	None
Ms. San Ying Ton Nicole (辛影彤)	38	5 January 2016	5 January 2016	Marketing manager	Management of the sales and marketing operations of our Group	None
Ms. Lo Pui Ying Janice (盧沛盈)	27	7 September 2016	7 September 2016	Chief operating officer	Overseeing the internal control policy of the operational and administrative process of our Group	Daughter of Mr. Lo and Ms. Fung
Mr. Chau Ka Ho (周家浩)	35	10 April 2017	10 April 2017	Financial controller	Overseeing the accounting and finance of our Group	None

EXECUTIVE DIRECTORS

Mr. Lo Wing Cheung (盧永錩), aged 60, is our chairman, chief executive officer and one of our executive Directors and the chairman of the Nomination Committee of our Board. He was the founder of our Group and was appointed as a Director on 8 February 2017, and was re-designated as an executive Director and appointed as the chairman of our Board on 22 June 2017. He founded our Group in 1980 and is primarily responsible for our Group's overall management, strategic planning and business development activities.

Mr. Lo has over 35 years of experience in the construction industry in Hong Kong. He co-founded Tristar in 1980 with his two business partners and since 1984 operated the business as a sole proprietor, focusing mainly in the supply and installation of timber flooring products and tiles. Leveraging his expertise and connections within the industry, Mr. Lo gradually expanded his business and became engaged as the main supplier of building materials to many significant residential and commercial developments in Hong Kong over the past three decades.

Mr. Lo is a Controlling Shareholder, the spouse of Ms. Fung (one of our executive Directors) and the father of Ms. Lo.

Mr. Lo was a director of the following private companies all of which were incorporated in Hong Kong with limited liability and were dissolved on a voluntary basis by way of deregistration as they ceased to carry on business. As confirmed by Mr. Lo, each of these companies was inactive and solvent at the time they were dissolved and there was no wrongful act on his part leading to the dissolutions and he is not aware of any actual or potential claim that has been or will be made against him as a result of such dissolutions.

Company name	Nature of business before dissolution	Nature of proceeding	Date of dissolution
Kwan Tai Trading (H.K.) Company Limited 鈞泰貿易(香港)有限公司	Trading of commodity in Hong Kong	Dissolved (Deregistration under section 291AA of the Predecessor Companies Ordinance)	24 December 2003
Well Treasures (Asia) Limited 盈來(亞洲)有限公司	Trading of building materials in Hong Kong	Dissolved (Deregistration under section 291AA of the Predecessor Companies Ordinance)	16 April 2004
Well Technology (Hong Kong) Limited	Dormant	Dissolved (Deregistration under section 751 of the Companies Ordinance)	21 July 2017

Ms. Fung Pik Mei (馮碧美), aged 56, is one of our executive Directors. She was appointed as a Director on 8 February 2017, and was re-designated as an executive Director on 22 June 2017. Ms. Fung joined our Group as a director of Kwan Tai HK in 1997 and is responsible for overseeing the day-to-day business operations of our Group, in particular the supervision of our project management team. Having been involved in the management of our Group for over 20 years, she has gathered extensive expertise within the industry, businesses of our Group and project management for all of our Group's operations.

Ms. Fung attended her secondary education in Hong Kong until 1979.

Ms. Fung is a Controlling Shareholder of our Group, the spouse of Mr. Lo and the mother of Ms. Lo.

Ms. Fung was a director of the following private companies all of which were incorporated in Hong Kong with limited liability and were dissolved on a voluntary basis by way of deregistration or striking off as they ceased to carry on business. As confirmed by Ms. Fung, each of these companies was inactive and solvent at the time they were dissolved and there was no wrongful act on her part leading to the dissolutions and she is not aware of any actual or potential claim that has been or will be made against her as a result of such dissolutions.

Company name	Nature of business before dissolution	Nature of proceeding	Date of Dissolution
Wine Market Company Limited (美酒香港有限公司)	Wine and beverage business in Hong Kong	Dissolved (Deregistration under section 291AA of the Predecessor Companies Ordinance)	8 September 2000
Joiner Art Limited (專藝有限公司)	Design and fitting-out business in Hong Kong	Dissolved (Deregistration under section 291AA of the Predecessor Companies Ordinance)	1 November 2002
Forecity Asia Limited	Trading of building materials in Hong Kong	Dissolved (Striking Off under section 291 of the Predecessor Companies Ordinance)	27 June 2003
Bermian Building Materials Limited (保銘建築材料有限公司)	Provision of building materials (for ceilings) in Hong Kong	Dissolved (Deregistration under section 291AA of the Predecessor Companies Ordinance)	26 January 2007
Tristar Environmental Engineering Limited (鈞泰環保工程有限公司)	Trading of environmental building materials in Hong Kong	Dissolved (Deregistration under section 291AA of the Predecessor Companies Ordinance)	7 December 2007
Well Technology (Hong Kong) Limited	Dormant	Dissolved (Deregistration under section 751 of the Companies Ordinance)	21 July 2017
Well Treasures (Hong Kong) Limited (盈來(香港)有限公司)	Trading of building materials	Dissolved (Deregistration under section 751 of the Companies Ordinance)	10 November 2017

NON-EXECUTIVE DIRECTOR

Mr. Wan Ho Yin (溫浩然) ("**Mr. Wan**"), aged 40, was appointed as a non-executive Director on 22 June 2017 and is mainly responsible for advising the internal audit function of our Group and performing independent appraisal of the adequacy and effectiveness of our Group's risk management and internal control systems. He is also a member of the Audit Committee of the Board.

He graduated with a Bachelor degree of Business Administration in Accounting from the Hong Kong Baptist University in 1999. He was subsequently admitted as a member of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) and as a member of the Association of Chartered Certified Accountants since 2003.

Mr. Wan has over 16 years of experience in audit and financial management. He worked in Ernst & Young from December 2000 to September 2004 and his last position was a senior accountant. From August 2004 to October 2005, Mr. Wan was an accountant at Asia Standard International Group Limited. From October 2005 to April 2006, he was employed as senior accountant by Denox Management Limited. He joined the audit department of Deloitte Touche Tohmatsu in April 2006 and left in September 2014 as a senior manager. Since September 2014, he has been in the role of chief financial officer and company secretary of Man King Holdings Limited (Stock code: 2193), a listed company on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shu Wa Tung Laurence (舒華東) ("**Mr. Shu**"), aged 45, was appointed as an independent non-executive Director on 19 December 2017. He is responsible for providing independent advice to our Board. He is also a member of the Remuneration Committee and Nomination Committee and the chairman of the Audit Committee of our Board.

Mr. Shu graduated from Deakin University, Australia in 1994 with a Bachelor degree in Business majoring in Accounting. He is a member of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) and a member of the CPA Australia since 1997 and has completed a CFO Programme at China Europe International Business School in 2009.

Mr. Shu has over 20 years of experience in audit, corporate finance, and financial management. From March 1994 to October 2000, he worked at Deloitte Touche Tohmatsu as an accountant (in 1994) and later a manager and joined Deloitte & Touche Corporate Finance Limited as a manager (from 2001 to 2002). From 2002 to 2005, Mr. Shu was an associate director of Goldbond Capital (Asia) Limited. From May 2005 to July 2008, he served as the chief financial officer and company secretary of Texhong Textile Group Limited (Stock code: 2678), a listed company on the Main Board of the Stock Exchange overseeing the group's financial management functions. From July 2008 to June 2010, Mr. Shu served as the chief financial officer of Rongsheng Heavy Industries Holdings Limited and oversaw its financial management functions and corporate finance activities as well as the daily management of its finance department. Since July 2010, Mr. Shu served as the chief financial officer of Petro-king Oilfield Services Limited (Stock code: 2178), a listed company on the Main Board of the Stock Exchange.

Mr. Shu's past and current directorships in other companies listed on the Stock Exchange in the last three years include serving as an independent non-executive director of Greater China Financial Holdings (Stock Code: 431) from August 2005 to March 2015 and an independent non-executive director of Riverine China Holdings Limited (Stock Code: 1417) since November 2017.

Mr. Tam Wai Tak Victor (譚偉德) ("**Mr. Victor Tam**"), aged 40, was appointed as an independent non-executive Director on 19 December 2017. He is responsible for providing independent advice to our Board. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of our Board.

Mr. Victor Tam graduated from the University of Glamorgan (now known as the University of South Wales) with a degree of Bachelor of Arts in accounting & finance (first class honours) in June 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2010 and a member of the Hong Kong Institute of Certified Public Accountants in July 2005. He has more than 14 years of experience in the field of auditing, accounting and financial management. The following table summarises Mr. Victor Tam's recent professional experience:

Company name	Principal business activities of the company	Last/current position held	Responsibilities	Period of services
Ronald H.T. Lee & Co.	Provision of audit, tax and advisory services	Audit senior	Auditing, accounting and the preparation of tax computations and financial statements	January 2002 to February 2005
Grant Thornton	Provision of audit, tax and advisory services	Manager	Auditing and the preparation of financial statements	April 2005 to January 2010
BDO Limited	Provision of audit, tax and advisory services	Senior manager	Auditing and the preparation of financial statements	January 2011 to January 2013
Differ Group Holding Company Limited (a listed company on the Main Board of the Stock Exchange) (Stock Code: 6878)	Provision of guarantee services, express loan services, financial services, finance lease services and asset management business	Financial controller and company secretary	Financial reporting and company secretarial services	January 2013 to present

Mr. Victor Tam's past and current directorships in other companies listed on the Stock Exchange in the last three years include serving as an independent non-executive director of Shun Wo Group Holdings Limited (Stock Code: 1591) since September 2016, an independent non-executive director of GT Steel Construction Group Limited (Stock Code: 8402) since June 2017 and an independent non-executive director of Cool Link (Holdings) Limited (Stock Code: 8491) since August 2017.

Mr. Tam Wing Lok (譚永樂) ("**Mr. WL Tam**"), aged 42, was appointed as an independent non-executive Director on 19 December 2017. He is responsible for providing independent advice to our Board. He is also a member of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee of our Board.

Mr. WL Tam graduated with a Bachelor of Science in Surveying from the University of Hong Kong in December 1998. He became a chartered quantity surveyor in Hong Kong in February 2002. Mr. WL Tam subsequently obtained a Bachelor of Laws degree in September 2003 from The Manchester Metropolitan University (in collaboration with the University of Hong Kong's School of Professional and Continuing Education) by long distance learning. In July 2005, he obtained a Postgraduate Certificate in Laws from the City University of Hong Kong. In December 2009, Mr. WL Tam further obtained a Master of Laws in Arbitration and Dispute Resolution from the University of Hong Kong. He became qualified as a solicitor in the courts of Hong Kong in August 2013.

From February 2002 to May 2011, Mr. WL Tam worked as a consultant at Consultant Associates (HK) Ltd. providing dispute resolutions consultancy services on construction and civil engineering projects. Since August 2013, Mr. WL Tam has been working as a solicitor at Wong and Lawyers (formerly known as Chan & Associates), where he continues to provide construction related legal services to his clients.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, each of our Directors has confirmed that (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he/she is independent from, and is not related to, any other Directors, members of the senior management, substantial shareholders or Controlling Shareholders; (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(w) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

SENIOR MANAGEMENT

Mr. Ho Shing Chak Stephen (何承澤) ("**Mr. Ho**"), aged 63, is the technical advisor of our Group. He joined our Group in 1 April 2017 and is mainly responsible for providing technical advice including material and components sourcing, project management and installation advice to projects contemplated and undertaken by our Group.

Mr. Ho obtained a Bachelor of Arts in Architectural Studies in October 1977 and a Bachelor of Architecture in November 1980 both from the University of Hong Kong. Mr. Ho has been a Registered Architect in Hong Kong since December 1983 and is registered as an authorised person and a registered inspector under the Buildings Ordinance (Cap. 123 of the laws of Hong Kong). He has been a member and a fellow of the Hong Kong Institute of Architects since December 1983 and November 1999 respectively. Mr. Ho is also licensed as a class 1 registered architect in the PRC since August 2005.

Mr. Ho has more than 30 years of experience in architectural practice and project management. Prior to joining our Group, Mr. Ho has worked for the Kowloon-Canton Railway Corporation from July 1998 to August 2007 as a senior property development manager and was responsible for overseeing the implementation of several property development projects. From August 2007 to August 2009, he held the positions of general manager and vice president of the architectural services unit of the Galaxy Entertainment Group. He was subsequently a senior manager (capital project) in the capital planning department of the Hospital Authority from October 2009 to April 2012 and as assistant general manager (project management) in Hutchison Whampoa Property from April 2012 to March 2015, where he was responsible for overseeing several property development projects in Macau, Hong Kong, and the PRC respectively.

From November 2015 to March 2017, Mr. Ho provided consultancy services to our Group through his consultancy firm Projekt Design Consultant.

Ms. San Ying Ton Nicole (辛影彤) ("**Ms. San**"), aged 38, is the marketing manager of our Group. She joined our Group in January 2016 and is mainly responsible for the management of sales and marketing operations of our Group.

Ms. San has over 10 years of experience in the sales and marketing of building materials. Prior to joining our Group, she joined Eastern Pretech (Hong Kong) Limited in June 2007 as a sales executive and left in March 2012 as an assistant marketing manager, where she was responsible for brand promotion and marketing to building and construction companies. She then worked at Nippon Paint Holdings Co., Ltd. as a marketing officer in the project sales department from June 2013 and at Grandtech Asia Ltd as a marketing manager from March 2014 to November 2015.

Ms. Lo Pui Ying Janice (盧沛盈) ("**Ms. Lo**"), aged 27, is the chief operating officer of our Group. She joined our Group in September 2016 as an administration manager and was promoted to her current position in December 2017 and is mainly responsible for overseeing the internal control policy in relation to the operational and administrative process of our Group.

Ms. Lo obtained a Bachelor of Science in Management and a Master of Science in Marketing & Strategy both from the University of Warwick in the United Kingdom in July 2012 and December 2013 respectively.

Prior to joining our Group, Ms. Lo was employed by the Hong Kong Jockey Club from October 2013 to September 2016 and her last position was marketing officer. She was responsible for marketing and promotion of horse racing and betting services.

Ms. Lo is the daughter of Mr. Lo and Ms. Fung, our executive Directors.

Mr. Chau Ka Ho (周家浩) ("**Mr. Chau**"), aged 35, is the financial controller of our Group. He joined our Group on 10 April 2017 and is mainly responsible for overseeing the accounting, financial reporting and financial planning of our Group.

Mr. Chau obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2005 and a Master of Science in Risk Management Science from the Chinese University of Hong Kong in November 2016. He is a member of Hong Kong Institute of Certified Public Accountants since January 2009 and obtained the designation of Chartered Financial Analyst since September 2012.

He has over 10 years of experience in accounting and audit. He joined the audit department of Deloitte Touche Tohmatsu in August 2005 as a staff accountant and left in June 2009 as a senior. He then worked at Dairy Farm Company Limited from July 2009 to April 2011 where his last position held was assistant finance manager. He joined the financial control department of the Hong Kong Mortgage Corporation Limited in April 2011 as an assistant manager and left in April 2017 as manager, where he was responsible for financial planning on investment project, budgeting, cost control and financial reporting.

COMPANY SECRETARY

Mr. Chau Ka Ho, aged 35, was appointed as the company secretary of our Company on 25 May 2017. For his biographical details, please refer to the section headed "Directors, senior management and employees — senior management" of this prospectus.

AUTHORISED REPRESENTATIVES

Mr. Lo and Ms. Fung are the authorised representatives of our Company. For their biographical details, please refer to the section headed "Directors, senior management and employees — executive Directors" of this prospectus.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

Our Company has established an Audit Committee pursuant to a resolution of our Directors passed on 19 December 2017 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to our Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and make judgments in respect of financial reporting; and oversee the effectiveness of the procedures of the risk management and internal control procedures of our Group and to monitor any continuing connected transactions. The Audit Committee consists of four members, namely Mr. Shu, Mr. Wan, Mr. Victor Tam and Mr. WL Tam. Mr. Shu is the chairman of the Audit Committee.

Remuneration Committee

Our Company has established a Remuneration Committee on 19 December 2017 pursuant to a resolution in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors, senior management and general staff of our Group and ensure that none of our Directors or any of their associates determine their own remuneration. The Remuneration Committee consists of four members, namely Mr. Lo, Mr. Shu, Mr. Victor Tam and Mr. WL Tam. Mr. WL Tam is the chairman of the Remuneration Committee.

Nomination Committee

Our Company has established a Nomination Committee on 19 December 2017 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size and composition and diversity of our Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to appointment or reappointment of Directors. The Nomination Committee consists of four members, namely Mr. Lo, Mr. Shu, Mr. Victor Tam and Mr. WL Tam. Mr. Lo is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Save as the deviation from Code provision A.2.1 of the Corporate Governance Code as disclosed in this section, our Company will comply with the Corporate Governance Code and the associated Listing Rules. Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lo is the chairman and chief executive officer of our Company. In view of Mr. Lo's role in day-to-day operations and management of our Group since the founding of our Group, our Board believes that it is in the best interest of our Group to have Mr. Lo take up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the Corporate Governance Code provision A.2.1 is appropriate in such circumstance. Notwithstanding the above, our Board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in the interim report and the annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the Corporate Governance Code after Listing.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Our Group's principal policies concerning remuneration of Directors and senior management are determined based on the relevant Director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our executive Directors and senior management may receive discretionary bonuses which shall be determined by our Board with regard to the performance of the relevant executive Director or member of senior management and the operating results of our Group as a whole in respect of the financial year. Our non-executive Director and independent non-executive Directors receive compensation in the form of a director fee.

The aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to our Directors for the three years ended 31 March 2017 and the three months ended 30 June 2017 were approximately HK$2.4 million, HK$2.2 million, HK$3.1 million and HK$0.9 million respectively.

Our Group's five highest paid individuals included two Directors. Excluding the two Directors, the aggregate amount of fees, salaries, contributions to pension schemes, housing and other allowances, benefits in kind and discretionary bonuses paid to the remaining three highest paid individuals for the three years ended 31 March 2017 and the three months ended 30 June 2017 were approximately HK$1.5 million, HK$1.5 million, HK$2.0 million and HK$0.5 million respectively.

During the Track Record Period, no compensation was paid to, or receivable by, our Directors, past directors or our Group's five highest paid individuals for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the Track Record Period, no emolument was paid to, or receivable by, our Directors or our Group's five highest paid individuals as an inducement to join or upon joining our Group. During the Track Record Period, none of our Directors had waived or agreed to waive any emolument.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 March 2018 will be approximately HK$3.9 million.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 14 and 15 to the Accountants' Report set out in Appendix I to this prospectus.

Each of our executive Directors, non-executive Director and independent non-executive Directors has entered into either a service contract or letter of appointment with our Company for an initial term of three years with effect from the Listing Date, which will continue thereafter until terminated by not less than three months' notice in writing. Further details of the terms of the service contracts or letters of appointment entered into with our Directors are set out in the paragraph headed "Particulars of service contracts" in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 19 December 2017 under which certain selected classes of participants (including, among others, full-time employees) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

Our Company has appointed Ample Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction which might be a notifiable or connected transaction under Chapters 14 and/or 14A of the Listing Rules, is contemplated including shares issues and share repurchases;

(c) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an enquiry to our Company under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on (and include) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2019).

The compliance adviser shall provide us with services, including guidance and/or advice as to compliance with the requirements under the Listing Rules and/or applicable laws, rules, codes and guidelines.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), Mr. Lo and Ms. Fung, through Helios, will indirectly own 73.5% of the issued share capital of our Company. As (i) Mr. Lo controls Helios by virtue of holding more than 50% of the voting interests of Helios; (ii) Mr. Lo and Ms. Fung are able to exercise direct control over our Company by holding their interests through a common investment holding company, namely Helios; and (iii) Helios is entitled to exercise 30% or more of the voting power at the general meetings of our Company, thus for the purpose of the Listing Rules, Mr. Lo, Ms. Fung and Helios will be regarded as a group of Controlling Shareholders.

Save as disclosed above, there is no other person who will, immediately following completion of the Share Offer be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or above.

None of our Controlling Shareholders, Directors and their respective close associates are interested in any business which is, whether directly or indirectly, in competition or is likely to compete with our business and would require disclosure under Rule 8.10 of the Listing Rules. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this prospectus and having considered the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders after the Listing.

(i) Financial independence

We have our own internal control and accounting systems, accounting and finance department and independent treasury function for cash receipts and payment, and we make financial decisions according to our own business needs.

During the Track Record Period, there were certain amounts due from certain companies controlled by Mr. Lo and Ms. Fung, details of which are set out in Note 24 of the Accountants' Report in Appendix I to this prospectus. The total amount due from such companies controlled by Mr. Lo and Ms. Fung as at 30 June 2017 was approximately HK$4.4 million. As at the Latest Practicable Date, the remaining amount has been fully settled.

In view of our internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders and their close associates.

During the Track Record Period, Kwan Tai HK was provided with bank loan facilities secured by unlimited personal guarantees provided by Mr. Lo and Ms. Fung and mortgage facilities over various properties owned by Mr. Lo, Ms. Fung and Sun Warm, details of which are set out in Note 29 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that confirmations have been obtained from the relevant banks and that the said personal guarantees and mortgages facilities will be fully released and replaced by corporate guarantees to be provided by our Company upon the Listing (save for the mortgage facility in respect of the property owned by Sun Warm, the outstanding amount of which will be fully repaid in full by Sun Warm to our Group and in turn by our Group to the mortgagee bank prior to the Listing). Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Our Directors believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

(ii) Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific responsibilities. We have independent access to sources of suppliers, subcontractors and customers. We hold all necessary licenses necessary to carry on our business. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

Whilst we have leased premises from Sun Warm, as further disclosed in the section headed "Connected transactions" of this prospectus, our Directors do not consider there to be any material reliance on our Controlling Shareholders or their close associates in this regard as the lease was entered in our ordinary and usual course of business, the monthly rental was determined between the parties on arm's length negotiations with reference to the then prevailing market conditions, the rental rate of similar properties in terms of location and floor area and is in alignment with the market rental rate, and the terms of such lease are on normal commercial terms.

Before 1 August 2016, certain staff members of our Group were employed by Tristar and seconded to our Group. During the Track Record Period, our Group reimbursed Tristar for the cost of staff on a full indemnity basis and such reimbursements of cost of staff amounted to approximately HK$4.6 million, HK$4.7 million, HK$2.1 million and nil for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively. In July 2016, Tristar terminated the employment of the said employees. All of them entered into new employment contracts with Kwan Tai HK commencing on 1 August 2016.

Other than the transactions disclosed in this section and in the section headed "Connected transactions" of this prospectus, there was no business transaction between our Group on one part and the Controlling Shareholders and/or their respective close associates on the other part during the Track Record Period.

Considering the operation status of our Group, our Directors are of the view that there is no operational dependence on our Controlling Shareholders or their respective close associates.

(iii) Management independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. None of our Directors has any interest in any business which competes or is likely to compete with our business. Our Board and senior management operate independently from our Controlling Shareholders, and they are in a position to fully discharge their duties to our Shareholders as a whole after the Listing without reference to our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Group and to avoid any conflict between his/her duties as a Director and his/her personal interest. If there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted towards the quorum. In addition, our independent non-executive Directors will bring independent judgement to the decision-making process of our Board.

In addition, our Group has adopted certain corporate governance measures for conflict prevention in order to safeguard the interests of our Shareholders as a whole, details of which are set out in the sub-section headed "Corporate governance measures to avoid conflict of interests" in this section. Having considered the above factors, our Directors are satisfied that our Board as a whole, together with our senior management team, are able to perform the managerial roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders (including their respective close associates) after the Listing.

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESS

Sun Warm engages in investment holdings and is the registered owner of Unit 806, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong, the premises being occupied by Kwan Tai HK as tenant pursuant to the Headquarters Tenancy Agreement. Please refer to the section "Connected transactions — Headquarters Tenancy Agreement" of this prospectus for further details of the tenancy agreement between Kwan Tai HK and Sun Warm. Based on Sun Warm's audited financial statements for the three years ended 31 March 2017 and the unaudited financial statements for the three months ended 30 June 2017, all revenue of Sun Warm during the Track Record Period were derived from rental income received from our Group. Please refer to the section headed "Connected transactions — Fully exempt continuing connected transactions — 1. Headquarters Tenancy Agreement" of this prospectus for further details of the rental arrangement.

United Aim Limited is a company incorporated in Hong Kong and is owned as to 70% and 30% by Mr. Lo and Ms. Fung respectively. It engages in investment holding. Save for being a partner of Tristar, it did not have any other business operations during the Track Record Period and up to the Latest Practicable Date.

Fortune Loy Holdings Limited is a company incorporated in Hong Kong and is owned as to 70% and 30% by Mr. Lo and Ms. Fung respectively. It engages in investment holding. Save for being a partner of Tristar, it did not have any other business operations during the Track Record Period and up to the Latest Practicable Date.

Tristar, the predecessor of our Group, is a partnership between United Aim Limited and Fortune Loy Holdings Limited, each owned as to 70% and 30% by Mr. Lo and Ms. Fung respectively, since 1 April 1998. For further details of Tristar, please refer to the paragraph headed "History, Reorganisation and corporate structure — History and development" of this prospectus.

Well Treasures (Hong Kong) Limited is a company incorporated in Hong Kong and is wholly-owned by Ms. Fung engaging in the retailing business of building materials. However, it had ceased business operations during the financial year ended 31 March 2012 and was deregistered pursuant to section 751 of the Companies Ordinance on 10 November 2017. Based on financial statements for the two years ended 31 March 2016 and the unaudited management accounts for the year ended 31 March 2017 and the three months ended 30 June 2017, Well Treasures (Hong Kong) Limited incurred net losses of approximately HK$39,600, HK$15,400, HK$12,800 and nil respectively; it had no operation during the Track Record Period and the losses were entirely attributable to its administrative expenses.

Sun Warm Engineering Co. Ltd. (or Companhia de Engenharia Sun Warm, Limitada) is a company incorporated in Macau and owned as to 70% and 30% by Mr. Lo and Ms. Fung respectively, and it has ceased business operations and has been dissolved. Based on the financial statements for the two years ended 31 December 2016 and the unaudited management account for the six months ended 30 June 2017, Sun Warm Engineering Co. Ltd. incurred a net loss of approximately MOP44,000, MOP15,000, MOP2,000 and MOP4,000 respectively.

Save as disclosed in the section headed "Business — Litigation, arbitration and potential claims" of this prospectus, in which Kwan Tai HK, Tristar and its two corporate partners are co-defendants of a legal proceeding, the above entities have not been subject to any material non-compliance incidents, claims, litigation or legal proceedings during the Track Record Period and up to the Latest Practicable Date.

Based on the above, our Directors are of the view that the inclusion of any or all of the above entities in our Group would not result in any significant impact on our Group's financial position and results of operations.

Our Controlling Shareholders consider not to include the businesses above as a part of our Group after taking into consideration the following:

i. The businesses of Sun Warm, United Aim Limited and Fortune Loy Holdings Limited are different from our Group's principal business and the entire business of Tristar has been transferred to Kwan Tai HK;

ii. The businesses of Sun Warm, United Aim Limited, Fortune Loy Holdings Limited and Tristar are not expected to compete, directly or indirectly, with the business of our Group; and

iii. Well Treasures (Hong Kong) Limited and Sun Warm Engineering Co. Ltd. have ceased business operations and have been dissolved.

DEED OF NON-COMPETITION

To ensure that direct competition does not develop between us and the activities of our Controlling Shareholders, each of Mr. Lo, Ms. Fung and Helios has agreed to provide a non-competition undertaking in our favour, the principal terms of which are described below. Each of Mr. Lo, Ms. Fung and Helios has entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries from time to time), pursuant to which each of Mr. Lo, Ms. Fung and Helios has jointly and severally undertaken to our Company (for ourselves and as trustee for and on behalf of our subsidiaries from time to time) that they shall not, and shall procure that their associates and/or companies controlled by them (except any members of our Group) shall not, whether directly or indirectly carry on, participate in, engage, acquire any right or interest in or render any services to or otherwise be interested, involved or engaged in or connected with (in each case, whether as a shareholder, partner, agent, consultant, employee or otherwise, and whether for profit, reward or otherwise) any business which is in competition with or similar to, or likely to be in competition, directly or indirectly, with the existing business activity of any member of our Group and any other new business activities undertaken by our Group from time to time after the Listing Date (the "**Restricted Business**").

The above undertaking does not preclude Mr. Lo, Ms. Fung and Helios, individually or collectively by its associates from having an aggregate interest in:

(a) not more than 5% of the issued shares in any company engaging any Restricted Business (the "**Subject Company**") which is listed on the Main Board; or

(b) not more than 5% of the Subject Company's consolidated turnover or assets, as shown in the Subject Company's latest audited accounts, provided that there is a holder (with its close associates where appropriate) with a larger shareholding in the Subject Company than the aggregate shareholding held by any of Mr. Lo, Ms. Fung and Helios and/or their respective associates and the total number of representatives of any of Mr. Lo, Ms. Fung and Helios on the board of directors of the Subject Company is not significantly disproportionate in relation to his/her or its shareholding in the Subject Company.

If any investment or other business opportunity relating to our business ("**Business Opportunity**") is identified by Mr. Lo, Ms. Fung and Helios or their associates and/or companies controlled by them, they shall refer such Business Opportunity to our Group (i) grant a right of first refusal to our Company to take up such Business Opportunity and shall procure that such Business Opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to such Covenantor and/or his/her/its associates; and (ii) shall not and shall procure his/her/its associates not to pursue such Business Opportunity unless such opportunity is rejected by our Company, written approval is obtained from a majority of the independent non-executive Directors, and the principal terms of which he/she/it, their respective associates or companies controlled by them pursue such opportunity are no more favourable than those made available to our Company and such terms being fully disclosed to our Company prior to consummation of such opportunity.

Pursuant to the Deed of Non-Competition, the above restrictions would only cease to have effect on the earliest of the date on which Mr. Lo, Ms. Fung and Helios cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital of our Company, or otherwise cease to be Controlling Shareholders or the Shares cease to be listed and traded on the Stock Exchange.

Further, the independent non-executive Directors will review, on an annual basis, the compliance of Mr. Lo, Ms. Fung and Helios with the Deed of Non-competition (in particular, the right of refusal relating to any Business Opportunity) and our Company will disclose findings or decisions on matters reviewed by the independent non-executive Directors relating to compliance with and the enforcement of the Deed of Non-Competition in our annual report or by way of announcement to the public.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests as well as resolving actual and/or potential conflicts of interests between our Company and our Controlling Shareholders. Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and ensure due performance of the Deed of Non-Competition so as to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will be responsible for considering and deciding as to whether to pursue or decline the Business Opportunity;

(b) our Controlling Shareholders undertake to provide all details reasonably necessary for our Company to consider whether to pursue such Business Opportunity, and if there is any material change in the nature, terms or conditions of such Business Opportunity, our Controlling Shareholders shall refer such Business Opportunity to our Group as if it were a new Business Opportunity;

(c) if appropriate, our independent non-executive Directors may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;

(d) our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors in respect of the compliance with the Deed of Non-Competition;

(e) our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-competition, in particular the right of refusal relating to any Business Opportunity and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to public;

(f) our Company has appointed Ample Capital Limited as our compliance adviser which shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws; and

(g) adoption of the Articles which provides that a Director shall not vote on any resolutions of our Board in relation to any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested and shall not be counted in the quorum of the meeting where such resolution is considered, unless otherwise provided in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and/or their respective close associates and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

So far as is known to our Directors and without taking into account any allotment and issue of shares pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the following persons will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	**Capacity/Nature**	**Number of Shares held (L)** *(Note 1)*	**Percentage of shareholding**
Helios	Beneficial owner	588,000,000	73.5%
Mr. Lo	Interest in a controlled corporation *(Note 2)*	588,000,000	73.5%
Ms. Fung	Interest in a controlled corporation *(Note 2)*	588,000,000	73.5%

Notes:

1. The letter "L" denotes long position in our Shares.

2. These 588,000,000 Shares are held by Helios, a company incorporated in the BVI and owned as to 70% and 30% by Mr. Lo and Ms. Fung respectively. Mr. Lo is the spouse of Ms. Fung. Therefore, Mr. Lo and Ms. Fung are each deemed to be interested in all the Shares they collectively hold for the purpose of SFO.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully-paid or credited as fully-paid immediately before and following the 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 Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme):

		Nominal value
		HK$
Authorised share capital:		
2,000,000,000	Shares of HK$0.01 each	20,000,000

		Nominal value
		HK$
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:		
10,000	Shares in issue as at the date of this prospectus	100
599,990,000	Shares to be issued pursuant to the Capitalisation Issue	5,999,900
200,000,000	Shares to be issued pursuant to the Share Offer *(Note)*	2,000,000
800,000,000	Total	8,000,000

Note: The share capital of our Company will be enlarged by up to an additional 30,000,000 Shares in the event that the Over-allotment Option is exercised in full.

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares as described below, as the case may be.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Offer Shares including the shares to the issued pursuant to the exercise of the Over-allotment option will rank *pari passu* in all respects with all the Shares now in issue or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlement to the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed "D. Share Options Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with, subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

(a) 20% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised); and

(b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed "General mandate to repurchase Shares" below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the options which may be granted under any share option scheme which may be adopted by our Company. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or other applicable laws to be held; or

(c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at a general meeting.

Please refer to the sub-paragraph headed "3. Written resolutions of our Shareholders passed on 19 December 2017" under the paragraph "A. Further information about our Company" in Appendix V to this prospectus for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares which may be listed or any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the sub-paragraph headed "6. Repurchase of the Shares by our Company" under the paragraph headed "A. Further information about our Company" in Appendix V to this prospectus.

The general mandates to issue and repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or other applicable laws to be held; or

(c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the sub-paragraph headed "6. Repurchase of the Shares by our Company" under the paragraph headed "A. Further information about our Company" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the Articles, our Company may from time to time, by an ordinary resolution of its members: (a) increase its share capital by the creation of new Shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law. In addition, subject to the Companies Law and confirmation by the Grand Court of the Cayman Islands, our Company may by special resolution reduce its share capital in any way, subject to any conditions prescribed by law. For details, see the paragraphs headed "2. Articles of Association — 2.5 Alteration of capital" and "Summary of Cayman Islands Company Law and taxation — 3. Share capital" in Appendix IV to this prospectus.

Pursuant to the Articles, and subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For details, see the paragraph headed "2. Articles of Association — 2.4 Variation of rights of existing Shares or classes of Shares" in Appendix V to this prospectus.

*Prospective investors should read the following discussion and analysis in conjunction with the financial information of our Group for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 as set out in the Accountants' Report in Appendix I to this prospectus. The financial information of our Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). Prospective investors are advised to read the whole of the Accountants' Report set out in Appendix I to this prospectus and do not rely solely on the information provided in this section.*

The following discussion and analysis contains forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the sections headed "Risk factors" and "Forward-looking statements" of this prospectus.

Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.

OVERVIEW

Our Group provides building materials and the relevant installation services mainly in Hong Kong. Our products mainly consist of (i) interior wall-fill materials, in particular gypsum block products; (ii) timber flooring products; (iii) GRC products; (iv) roof tiles; and (v) woodwork products. Our customers include property developers, private property owners, contractors as well as governmental departments and statutory bodies.

The following discussion and analyses are based on the financial results of our Group during the Track Record Period as presented in the Accountants' Report contained in Appendix I to this prospectus.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 February 2017. In preparation of the Listing, we underwent the Reorganisation, as detailed in the paragraph headed "History, Reorganisation and corporate structure — Reorganisation" of this prospectus. As a result of the Reorganisation, our Company became the holding company of the subsidiaries comprising our Group.

The financial information includes the consolidated statements of profit and loss and other comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and consolidated statements of financial position of the companies now comprising our Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows including the results and cash flows of companies now comprising our Group have been prepared as if our current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment of our relevant Group's subsidiaries. The consolidated statements of financial position of our Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group as if our current group structure had been in existence as at those dates.

Transactions, balances and unrealised gains or losses on transactions between companies within our Group are eliminated on consolidation.

The financial information has been prepared by our Directors based on the audited financial statements or, where appropriate, unaudited management accounts of our companies now comprising our Group in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), on the basis set out in Note 2 of the Accountants' Report contained in Appendix I to this prospectus.

SIGNIFICANT ACCOUNTING POLICIES

The Accountants' Report in Appendix I to this prospectus sets out further information regarding certain significant accounting policies, such as revenue recognition, in Note 4, which are important for an understanding of the financial condition and results of operation of our Group. Some of our accounting policies involve subjective assumptions, estimates and judgements that are discussed in Notes 4 and 5 to the Accountants' Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and other associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. Please refer to Notes 4 and 5 of the Accountants' Report in Appendix I to this prospectus for further information.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are most significantly affected by the following factors.

The demand for our products/services in Hong Kong and Macau

Our results of operations are mainly affected by the number and availability of building construction and infrastructure projects in Hong Kong and Macau. These are in turn affected by various factors, including but not limited to the general economic conditions in Hong Kong and Macau, the condition of the property market in Hong Kong and Macau, government policies in relation to the amount to be invested in the construction industry and other factors which are beyond our control.

There are no guarantees that the number of construction projects will not decrease in the future. In the event that the demand of building construction decreases as a result of the reduction in the number of construction projects in Hong Kong and Macau, our profitability and financial performance may be adversely and materially affected. In addition, all of our projects are one-off projects and are conducted on a project-by-project basis, which are not recurring in nature. There is no guarantee that our customers will provide us with new contracts or that we will secure new customers. Our existing customers are not obliged to enter into contracts with us or engage our services for their subsequent projects.

Collectability and timing of collection of our trade and retention monies receivables

In relation to our supply of building materials, our Group normally records trade receivables after delivery of our products and expects to receive payment from our customers within the credit period. With regard to our supply of building materials together with the relevant installation services, under the contracts between our customers and us, our customers will usually withhold up to 10% of the value of our works done from each progress payment as retention money, subject to a maximum of approximately 5% of the total contract sum. Generally, half of the retention monies would be released to us upon or soon after certification of our final progress payment application by our customer and the remaining half would then be released to us upon the end of the maintenance period which would normally take place one to two years from the certification of our final progress payment application or the completion of the entire project by our customer or the main contractor. There can be no assurance that our trade and retention monies receivables or any future trade and retention monies receivables will be received by us on a timely basis. Any late payment, whether arising from payment practice of our customers or delay in completion of a construction project, may adversely affect our future liquidity position.

Performance of our subcontractors

Apart from the provision of building materials, we also engage subcontractors to perform the relevant installation services, if required by our customers. As the subcontractors have no direct contractual relationship with our customers, our Group may be liable for the works performed by the subcontractors, which could leave us subject to various risks for any unsatisfactory performance of such subcontractors, such as financial loss and reputational damages. In the event that a subcontractor's work is carried out inadequately, our Group may be subject to claims by our customers and may need to engage other subcontractors to carry out further rectification works.

Unexpected fluctuation in project costs

The main components of our estimated project costs are material costs and subcontracting costs. We procure our building materials from our suppliers, such as gypsum block products, timber flooring products, GRC and roof tiles. Prices of these building materials may fluctuate from time to time. We engage subcontractors to carry out the site works delegated by us. The availability of labour in the market as well as economic factors in Hong Kong and Macau including the inflation rate and standard of living may affect the supply and the cost of labour in Hong Kong and Macau.

Project costs may deviate from our estimation. There may be fluctuations in project costs during the actual implementation of the project. If the project costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

The following sensitivity analyses illustrate the impact of hypothetical fluctuations in material costs and subcontracting costs on our profit before tax during the Track Record Period, assuming all other variables remain constant. Our Group adopted a hypothetical fluctuation of 5% and 10% in performing the sensitivity analysis below.

Hypothetical fluctuations of our material costs	**Year ended 31 March**			**Three months ended 30 June**	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
If our material costs, had been 5% higher/lower					
Decrease/increase in profit before tax	–/+ 6,553	–/+ 6,000	–/+ 4,337	–/+ 808	–/+ 1,842
Percentage decrease/increase in profit before tax	–/+ 22.5%	–/+ 26.8%	–/+ 12.6%	–/+ 59.2%	–/+ 22.4%
If our material costs, had been 10% higher/lower					
Decrease/increase in profit before tax	–/+ 13,106	–/+ 12,001	–/+ 8,673	–/+ 1,617	–/+ 3,684
Percentage decrease/increase in profit before tax	–/+ 44.9%	–/+ 53.6%	–/+ 25.2%	–/+ 118.5%	–/+ 44.8%

Our gross profit was approximately HK$48.1 million, HK$47.6 million, HK$64.2 million, HK$7.2 million and HK$21.5 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. For illustrative purpose, we would have recorded a breakeven in our gross profit if our material costs increased by approximately 36.7%, 39.6%, 74.0%, 44.5% and 58.3% for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively.

Hypothetical fluctuations of our subcontracting costs	**Year ended 31 March**			**Three months ended 30 June**	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
If our subcontracting costs, had been 5% higher/lower					
Decrease/increase in profit before tax	–/+ 2,176	–/+ 2,025	–/+ 2,231	–/+ 338	–/+ 1,312
Percentage decrease/increase in profit before tax	–/+ 7.5%	–/+ 9.0%	–/+ 6.5%	–/+ 24.8%	–/+ 15.9%
If our subcontracting costs, had been 10% higher/lower					
Decrease/increase in profit before tax	–/+ 4,352	–/+ 4,050	–/+ 4,462	–/+ 677	–/+ 2,623
Percentage decrease/increase in profit before tax	–/+ 14.9%	–/+ 18.1%	–/+ 13.0%	–/+ 49.6	–/+ 31.9

For illustrative purpose, we would have recorded a breakeven in our gross profit if our subcontracting costs increased by approximately 110.5%, 117.4%, 143.9%, 106.3% and 81.9% for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets out our consolidated statements of profits or loss and other comprehensive income for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, as derived from the Accountants' Report of our Group set out in Appendix I to this prospectus.

Consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 March			For the three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	235,351	216,865	202,319	30,873	85,329
Cost of sales and services	(187,263)	(169,313)	(138,097)	(23,679)	(63,842)
Gross profit	48,088	47,552	64,222	7,194	21,487
Other income	3,665	407	1,175	155	208
Selling and distribution expenses	(5,722)	(5,799)	(8,233)	(1,361)	(3,560)
Administrative expenses	(13,690)	(17,318)	(20,280)	(4,057)	(9,289)
Finance costs	(3,155)	(2,439)	(2,501)	(567)	(617)
Profit before tax	29,186	22,403	34,383	1,364	8,229
Income tax expenses	(4,868)	(3,483)	(6,090)	(225)	(1,845)
Profit for the year/period and total comprehensive income for the year/period	24,318	18,920	28,293	1,139	6,384

Revenue

Our Group's revenue is generated from (i) supply of building materials only; and (ii) supply and installation of building materials. Set out below is the breakdown of our revenue by business activities for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000* (unaudited)	*% of total*	*HK$'000*	*% of total*
Supply of building materials only										
Interior wall-fill materials — gypsum block products	67,804	28.8	69,845	32.2	63,571	31.4	7,374	23.9	19,138	22.4
Timber flooring products										
— HUGO	1,508	0.6	3,429	1.6	2,304	1.1	12	0.0	115	0.2
— German branded sports parquet products	—	—	—	—	—	—	—	—	—	—
Others *(Note 1)*	37,094	15.8	79	0.0	27	0.0	—	—	31	0.0
Subtotal	106,406	45.2	73,353	33.8	65,902	32.5	7,386	23.9	19,284	22.6
Supply and installation of building materials										
Interior wall-fill materials — gypsum block products	20,165	8.5	12,920	6.0	45,666	22.6	4,499	14.6	13,833	16.2
Timber flooring products										
— HUGO	99,184	42.1	124,314	57.3	79,722	39.4	17,042	55.2	37,791	44.3
— German branded sports parquet products and others	299	0.2	2,447	1.1	2,569 *(Note 2)*	1.3	1,094	3.5	186	0.2
Others *(Note 1)*	9,297	4.0	3,831	1.8	8,460	4.2	852	2.8	14,235	16.7
Subtotal	128,945	54.8	143,512	66.2	136,417	67.5	23,487	76.1	66,045	77.4
Total	235,351	100.0	216,865	100.0	202,319	100.0	30,873	100.0	85,329	100.0

Notes:

1. Others mainly represent GRC and roof tiles.

2. During the year ended 31 March 2017, our Group was engaged in two timber flooring product supply and installation projects where our customers requested us to other branded timber flooring products. Revenue generated from the abovementioned two projects in aggregate amounted to approximately HK$0.3 million.

During the Track Record Period, our Group's revenue was principally generated from Hong Kong, whilst revenue generated from Macau only amounted to nil, approximately 4.1%, 0.03%, nil and nil of our revenue for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively.

During the three years ended 31 March 2017 and for the three months ended 30 June 2016 and 2017, our revenue was contributed from (i) the supply of building materials only which amounted to approximately 45.2%, 33.8%, 32.5%, 23.9% and 22.6% of our revenue respectively; and (ii) supply and installation of building materials which amounted to approximately 54.8%, 66.2%, 67.5%, 76.1% and 77.4% of our revenue respectively.

During the three years ended 31 March 2017 and for the three months ended 30 June 2016 and 2017, our revenue attributable to variation orders amounted to approximately HK$6.7 million, HK$6.1 million, HK$5.0 million, HK$1.3 million and HK$7.5 million respectively, representing approximately 2.9%, 2.8%, 2.5%, 4.1% and 8.8% of our revenue respectively. Since revenue from variation orders will only be recognised when the receipt of the amount is considered reliably measured and recoverable, our Directors confirm that there is no material difference between the recognised revenue and final agreed amount with our customers during the Track Record Period.

(i) Revenue from supply of building materials only — Interior wall-fill materials

Our Group's revenue in relation to the supply of interior wall-fill materials remained relatively stable at approximately HK$67.8 million, HK$69.8 million, HK$63.6 million for the three years ended 31 March 2017 respectively. Revenue in relation to the supply of interior wall-fill materials amounted to approximately HK$7.4 million and HK$19.1 million for the three months ended 30 June 2016 and 2017 respectively. Revenue from supply of interior wall-fill materials increased from approximately HK$67.8 million for the year ended 31 March 2015 to approximately HK$69.8 million for the year ended 31 March 2016, representing an increase of approximately HK$2.0 million, or 2.9%. Such increase in revenue was mainly due to the increase in revenue recognised of approximately HK$48.6 million in aggregate from Project A1, Project A24, Project A32 and Project A44 which had a substantial amount of revenue recognised during the year ended 31 March 2016, with approximately HK$54.5 million in aggregate of revenue recognised during the year ended 31 March 2016 and only approximately HK$5.9 million in aggregate of revenue recognised during the year ended 31 March 2015.

Such increase in revenue from supply of interior wall-fill materials during the year ended 31 March 2016 was partially offset by the increase in revenue recognised of approximately HK$42.6 million in aggregate from Project A3, Project A36 and Project A39, which had a substantial amount of revenue recognised during the year ended 31 March 2015, with approximately HK$42.6 million in aggregate of revenue recognised during the year ended 31 March 2015 and no revenue recognised during the year ended 31 March 2016.

Revenue from supply of interior wall-fill materials decreased from approximately HK$69.8 million for the year ended 31 March 2016 to approximately HK$63.6 million for the year ended 31 March 2017, representing a decrease of approximately HK$6.2 million, or 8.9%. Such decrease was mainly due to the decrease in revenue recognised of approximately HK$50.6 million in aggregate from Project A1, Project A24, Project A32 and Project A44, which had a substantial amount of revenue recognised during the year ended 31 March 2016, with approximately HK$54.5 million in aggregate of revenue recognised during the year ended 31 March 2016 and only approximately HK$3.9 million in aggregate of revenue recognised during the year ended 31 March 2017.

Such decrease in revenue from supply of interior wall-fill materials during the year ended 31 March 2017 was partially offset by the increase in revenue recognised of approximately HK$43.1 million in aggregate from Project A8, Project A15, Project A41 and Project B5, which had a substantial amount of revenue recognised during the year ended 31 March 2017, with approximately HK$43.3 million in aggregate of revenue recognised during the year ended 31 March 2017 and only approximately HK$0.2 million in aggregate of revenue recognised during the year ended 31 March 2016.

Revenue from supply of interior wall-fill materials increased from approximately HK$7.4 million for the three months ended 30 June 2016 to approximately HK$19.1 million for the three months ended 30 June 2017, representing an increase of approximately HK$11.7 million, or 158.1%. Such increase was mainly due to the increase in revenue recognised of approximately HK$12.3 million in aggregate from Project A15 and Project B5, which had a substantial amount of revenue recognised during the three months ended 30 June 2017, with approximately HK$12.3 million in aggregate of revenue recognised during the three months ended 30 June 2017 and no revenue recognised during the three months ended 30 June 2016.

Such increase in revenue from supply of interior wall-fill materials during the three months ended 30 June 2017 was partially offset by the decrease in revenue recognised of approximately HK$3.3 million from Project A41, which had a substantial amount of revenue recognised during the three months ended 30 June 2016, with approximately HK$3.4 million in aggregate of revenue recognised during the three months ended 30 June 2016.

(ii) Revenue from supply of building materials only — Timber flooring products

Our Group's revenue in relation to the supply of timber flooring products amounted to approximately HK$1.5 million, HK$3.4 million, HK$2.3 million, HK$12,000 and HK$0.1 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Revenue from supply of timber flooring products increased from approximately HK$1.5 million for the year ended 31 March 2015 to approximately HK$3.4 million for the year ended 31 March 2016, representing an increase of approximately HK$1.9 million or 126.7%. Such increase was mainly due to the increase in revenue recognised from certain projects, which had a substantial amount of revenue recognised during the year ended 31 March 2016 and no revenue recognised during the year ended 31 March 2015 as these projects only commenced during the year ended 31 March 2016.

Revenue from supply of timber flooring products decreased from approximately HK$3.4 million for the year ended 31 March 2016 to approximately HK$2.3 million for the year ended 31 March 2017, representing a decrease of approximately HK$1.1 million or 32.4%. Such decrease was mainly due to the decrease in revenue recognised from certain projects, which had a substantial amount of revenue recognised during the year ended 31 March 2016 and no revenue recognised during the year ended 31 March 2017 as these projects were completed during the year ended 31 March 2016.

Revenue from supply of timber flooring products had a relatively low contribution to our revenue for the three months ended 30 June 2016 and 2017 and amounted to approximately HK$12,000 and HK$0.1 million for the three months ended 30 June 2016 and 2017 respectively.

(iii) Revenue from supply of building materials only — Others

Revenue from supply of other building materials amounted to approximately HK$37.1 million, HK$79,000, HK$27,000 for the three years ended 31 March 2017 respectively. Our revenue from supply of other building materials decreased significantly from approximately HK$37.1 million for the year ended 31 March 2015 to approximately HK$79,000 for the year ended 31 March 2016 and further decreased to approximately HK$27,000 for the year ended 31 March 2017. The decrease was mainly due to Project A2, which contributed a majority of our revenue from supply of other building materials and was completed during the year ended 31 March 2015. Revenue from supply of other building materials had a relatively low contribution to our revenue for the three months ended 30 June 2016 and 2017 and amounted to nil and approximately HK$31,000 for the three months ended 30 June 2016 and 2017 respectively. Since we only offer our other building materials products on an *ad hoc* basis, the volume and value of our other building materials products projects may vary from period to period.

(iv) Revenue from supply and installation of building materials — Interior wall-fill materials

Revenue from supply and installation of interior wall-fill materials amounted to approximately HK$20.2 million, HK$12.9 million, HK$45.7 million, HK$4.5 million and HK$13.8 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Revenue from supply and installation of interior wall-fill materials decreased from approximately HK$20.2 million for the year ended 31 March 2015 to approximately HK$12.9 million for the year ended 31 March 2016, representing a decrease of approximately HK$7.3 million or 36.1%. The aforementioned decrease was mainly due to the decrease in revenue recognised of approximately HK$11.9 million in aggregate from Project A17 and Project A22, which had a substantial amount of revenue recognised during the year ended 31 March 2015, with approximately HK$13.3 million in aggregate of revenue recognised during the year ended 31 March 2015 and only approximately HK$1.4 million in aggregate of revenue recognised during the year ended 31 March 2016.

Such decrease in revenue from supply and installation of interior wall-fill materials during the year ended 31 March 2016 was partially offset by the increase in revenue recognised by approximately HK$6.3 million in aggregate from Project A21, which had a substantial amount of revenue recognised during the year ended 31 March 2016, with approximately HK$6.3 million of revenue recognised during the year ended 31 March 2016 and no revenue recognised during the year ended 31 March 2015.

Revenue from supply and installation of interior wall-fill materials increased significantly from approximately HK$12.9 million for the year ended 31 March 2016 to approximately HK$45.7 million for the year ended 31 March 2017, representing an increase of approximately HK$32.8 million or 254.3%. Such increase was mainly attributable to the increase in revenue recognised by approximately HK$30.0 million from Project A4 and Project A20, which had a substantial amount of revenue recognised during the year ended 31 March 2017, with approximately HK$30.0 million in aggregate of revenue recognised during the year ended 31 March 2017 and no revenue recognised during the year ended 31 March 2016 as the aforementioned projects only commenced during the year ended 31 March 2017.

Revenue from supply and installation of interior wall-fill materials increased from approximately HK$4.5 million for the three months ended 30 June 2016 to approximately HK$13.8 million for the three months ended 30 June 2017, representing an increase of approximately HK$9.3 million, or 206.7%. Such increase was mainly attributable to the increase in revenue recognised of approximately HK$12.3 million from Project A4 and Project A20, which had a substantial amount of revenue recognised during the three months ended 30 June 2017, with approximately HK$12.4 million in aggregate of revenue recognised during the three months ended 30 June 2017 and only approximately HK$63,000 of revenue recognised during the three months ended 30 June 2016.

(v) Revenue from supply and installation of building materials — Timber flooring products

Revenue from supply and installation of timber flooring products amounted to approximately HK$99.5 million, HK$126.8 million, HK$82.3 million, HK$18.1 million and HK$38.0 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively.

Revenue from supply and installation of timber flooring products increased from approximately HK$99.5 million for the year ended 31 March 2015 to approximately HK$126.8 million for the year ended 31 March 2016, representing an increase of approximately HK$27.3 million or 27.4%. The aforementioned increase was mainly due to the increase in revenue recognised of approximately HK$68.7 million in aggregate from Project A9, Project A13, Project A23, Project A25, Project A27, Project A28, Project A29, Project A33 and Project A40, as a greater portion of these projects were completed during the year ended 31 March 2016 and contributed revenue of approximately HK$76.6 million in aggregate for the aforementioned year, while only approximately HK$7.9 million in aggregate of revenue was recognised for the year ended 31 March 2015.

Such increase in revenue from supply and installation of timber flooring products during the year ended 31 March 2016 was partially offset by the decrease in revenue recognised of approximately HK$53.8 million in aggregate from Project A6, Project A16, Project A19 and Project A30, which had a substantial portion of work completed during the year ended 31 March 2015, with approximately HK$58.2 million in aggregate of revenue recognised during the year ended 31 March 2015 and only approximately HK$4.4 million in aggregate of revenue were recognised during the year ended 31 March 2016.

Revenue from supply and installation of timber flooring products decreased from approximately HK$126.8 million for the year ended 31 March 2016 to approximately HK$82.3 million for the year ended 31 March 2017, representing a decrease of approximately HK$44.5 million or 35.1%. The aforementioned decrease was mainly due to the decrease in revenue recognised of approximately HK$77.0 million in aggregate from Project A9, Project A12, Project A13, Project A14, Project A27, Project A28, Project A29 and Project A40, which had a substantial portion of work completed during the year ended 31 March 2016, with approximately HK$83.4 million in aggregate of revenue recognised during the year ended 31 March 2016 and only approximately HK$6.4 million in aggregate of revenue were recognised during the year ended 31 March 2017.

Such decrease in revenue from supply and installation of timber flooring products during the year ended 31 March 2017 was partially offset by the increase in revenue recognised of approximately HK$38.6 million in aggregate from Project A5, Project A7 and Project A11, which had a substantial portion of work completed during the year ended 31 March 2017, with approximately HK$39.1 million in aggregate of revenue recognised during the year ended 31 March 2017 and only approximately HK$0.5 million in aggregate of revenue recognised during the year ended 31 March 2016.

Revenue from supply and installation of timber flooring products increased from approximately HK$18.1 million for the three months ended 30 June 2016 to approximately HK$38.0 million for three months ended 30 June 2017, representing an increase of approximately HK$19.9 million, or 109.9%. The aforementioned increase was mainly due to the increase in revenue recognised of approximately HK$20.1 million in aggregate from Project A5, Project A7, Project A18 and Project A38, which had a substantial portion of work completed during the three months ended 30 June 2017, with approximately HK$24.5 million in aggregate of revenue recognised during three months ended 30 June 2017 and only approximately HK$4.4 million in aggregate of revenue were recognised during the three months ended 30 June 2016.

Such increase in revenue from supply and installation of timber flooring products during the three months ended 30 June 2017 was partially offset by the decrease in revenue recognised of approximately HK$7.4 million in aggregate from Project A25, which had a substantial portion of work completed during the three months ended 30 June 2016, with approximately HK$5.2 million of revenue recognised during the three months ended 30 June 2016 and only approximately HK$0.2 million in aggregate of revenue recognised during the three months ended 30 June 2017.

(vi) Revenue from supply and installation of building materials — Others

Revenue from supply and installation of other building materials amounted to approximately HK$9.3 million, HK$3.8 million, HK$8.5 million, HK$0.9 million and HK$14.2 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Our revenue from supply and installation of other building materials decreased from approximately HK$9.3 million for the year ended 31 March 2015 to approximately HK$3.8 million for the year ended 31 March 2016, representing a decrease of approximately HK$5.5 million or 59.1%. Such decrease was mainly due to the decrease in revenue recognised from certain projects, which had a substantial portion of work completed during the year ended 31 March 2015 and a relatively lower amount of revenue recognised during the year ended 31 March 2016.

Our revenue from supply and installation of other building materials increased from approximately HK$3.8 million for the year ended 31 March 2016 to approximately HK$8.5 million for the year ended 31 March 2017, representing an increase of approximately HK$4.7 million or 123.7%. Such increase was mainly due to the increase in revenue recognised of approximately HK$ 6.5 million in aggregate from Project A10 and Project A34, which had a substantial portion of work completed during the year ended 31 March 2017, with approximately HK$8.3 million in aggregate of revenue recognised during the year ended 31 March 2017 and only approximately HK$1.8 million in aggregate of revenue recognised during the year ended 31 March 2016.

Our revenue from supply and installation of other building materials increased from approximately HK$0.9 million for the three months ended 30 June 2016 to approximately HK$14.2 million for the three months ended 30 June 2017, representing an increase of approximately HK$13.3 million, or 1,477.8%. Such increase was mainly due to the increase in revenue recognised of approximately HK$13.6 million from Project A10, which had a substantial portion of work completed during the three months ended 30 June 2017, with approximately HK$13.6 million of revenue recognised during the three months ended 30 June 2017 and no revenue recognised during the three months ended 30 June 2016. Since we only offer our other building materials products on an *ad hoc* basis, the volume and value of our other building materials products projects may vary from period to period.

Cost of sales and services

Our cost of sales and services consists of (i) material costs which mainly represented the costs incurred for our purchase of gypsum block products, timber flooring products, GRC and roof tiles from our suppliers; (ii) subcontracting costs which mainly represented our fees paid and payable to our subcontractors who provided site work delegated by us; (iii) freight and delivery charges which mainly represented the costs incurred for the delivery of our products from our suppliers to our customers for our supply and installation of building materials projects; and (iv) others which primarily includes the design and drawing fees, insurance fees, quantity surveying fees and consultancy fees. The following table sets forth a breakdown of our cost of sales and services by nature during the Track Record Period.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000* (unaudited)	%	*HK$'000*	%
Material costs	131,063	70.0	120,009	70.9	86,734	62.8	16,168	68.3	36,840	57.7
Subcontracting costs	43,517	23.2	40,501	23.9	44,621	32.3	6,768	28.6	26,230	41.1
Freight and delivery charges	1,544	0.8	1,472	0.9	2,796	2.0	282	1.2	478	0.7
Others *(Note)*	11,139	6.0	7,331	4.3	3,946	2.9	461	1.9	294	0.5
Total	187,263	100.0	169,313	100.0	138,097	100.0	23,679	100.0	63,842	100.0

Note: This category includes design and drawing fees, insurance fees, quantity surveying fees and consultancy fees.

Material costs and subcontracting costs amounted to approximately HK$174.6 million, HK$160.5 million, HK$131.4 million, HK$22.9 million and HK$63.1 million representing approximately 93.2%, 94.8%, 95.1%, 96.9% and 98.8% of total cost of sales and services for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. The proportion of material costs and subcontracting costs varies from project to project depending on the nature and size of our project.

Material costs amounted to approximately HK$131.1 million, HK$120.0 million, HK$86.7 million, HK$16.2 million and HK$36.8 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing approximately 70.0%, 70.9%, 62.8%, 68.3% and 57.7% of our total cost of sales and services respectively. We procure building materials from our suppliers on a project-by-project basis and generally do not keep extra inventory, other than those building materials which are maintained due to expected wastage occurred during the construction process and for subsequent rectification works at later stage for the relevant projects, since the building materials are directly delivered to our customers' sites. The level of materials purchased by our Group in any given reporting period were influenced by factors such as (i) the number of projects in progress at any given point of time; (ii) the work schedule of each project; and (iii) the size and complexity of each project.

Subcontracting costs amounted to approximately HK$43.5 million, HK$40.5 million, HK$44.6 million, HK$6.8 million and HK$26.2 million respectively for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, representing approximately 23.2%, 23.9%, 32.3%, 28.6% and 41.1% of our total cost of sales and services respectively. We normally engage subcontractors for the installation works of building materials. The level of subcontracting costs incurred by our Group in any given reporting period were influenced by factors such as (i) the number of supply and installation projects in progress at any given point of time; (ii) the work schedule of each project; and (iii) the scale and complexity of each project.

Rectification works were performed when our end customers (i.e. the property owners) are unsatisfied with the subcontracted works performed by our subcontractors. During the Track Record Period, approximately HK$1.1 million of our cost of sales and services were incurred for such rectification works performed for 21 of our projects, representing approximately 0.7% of our total subcontracting costs during the Track Record Period.

For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our cost of sales and services amounted to approximately HK$187.3 million, HK$169.3 million, HK$138.1 million, HK$23.7 million and HK$63.8 million respectively. Our cost of sales and services decreased by approximately HK$18.0 million, or 9.6%, from approximately HK$187.3 million for the year ended 31 March 2015 to approximately HK$169.3 million for the year ended 31 March 2016. Such decrease was mainly due to (i) the decrease in our material costs of approximately HK$11.1 million, or 8.5%, from approximately HK$131.1 million for the year ended 31 March 2015 to approximately HK$120.0 million for the year ended 31 March 2016; and (ii) the decrease in our subcontracting costs of approximately HK$3.0 million, or 6.9%, from approximately HK$43.5 million for the year ended 31 March 2015 to approximately HK$40.5 million for the year ended 31 March 2016.

Our cost of sales and services decreased by approximately HK$31.2 million or 18.4% from approximately HK$169.3 million for the year ended 31 March 2016 to approximately HK$138.1 million for the year ended 31 March 2017. Such decrease was mainly due to the decrease in our material costs of approximately HK$33.3 million, or 27.8%, from approximately HK$120.0 million for the year ended 31 March 2016 to approximately HK$86.7 million for the year ended 31 March 2017 which was partially offset by the increase in our subcontracting costs of approximately HK$4.1 million, or 10.1%, from approximately HK$40.5 million for the year ended 31 March 2016 to approximately HK$44.6 million for the year ended 31 March 2017.

Our cost of sales and services increased by approximately HK$40.1 million, or 169.2%, from approximately HK$23.7 million for the three months ended 30 June 2016 to approximately HK$63.8 million for the three months ended 30 June 2017. Such increase was mainly due to the increase in our material costs of approximately HK$20.6 million, or 127.2%, from approximately HK$16.2 million for the three months ended 30 June 2016 to approximately HK$36.8 million for the three months ended 30 June 2017 and the increase in our subcontracting costs of approximately HK$19.4 million, or 285.3%, from approximately HK$6.8 million for the three months ended 30 June 2016 to approximately HK$26.2 million for the three months ended 30 June 2017.

Gross profit and gross profit margin

The following table sets out our Group's gross profit and gross profit margin by nature of business activities.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		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
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Supply of building materials only										
Interior wall-fill materials										
— gypsum block products	25,105	37.0	27,554	39.5	27,374	43.1	2,284	31.0	8,153	42.6
Timber flooring products										
— HUGO	1,226	81.3	1,788	52.1	562	24.4	10	83.3	96	83.5
— German branded sports parquet products	—	—	—	—	—	—	—	—	—	—
Others *(Note 1)*	7,147	19.3	18	21.8	6	22.2	—	—	10	32.3
	33,478	31.5	29,360	40.0	27,942	42.4	2,294	31.1	8,259	42.8
Supply and installation of building materials										
Interior wall-fill materials										
— gypsum block products	1,490	7.4	3,309	25.6	14,871	32.6	1,455	32.3	3,663	26.5
Timber flooring products										
— HUGO	9,810	9.9	12,859	10.3	18,305	23.0	2,873	16.9	5,269	13.9
— German branded sports parquet products and others	2	0.7 *(Note 2)*	592	24.2	400 *(Note 3)*	15.6	224	20.5	58	31.2
Others *(Note 1)*	3,308	35.6	1,432	37.4	2,704	32.0	348	40.8	4,238	29.8
	14,610	11.3	18,192	12.7	36,280	26.6	4,900	20.9	13,228	20.0
Total	48,088	20.4	47,552	21.9	64,222	31.7	7,194	23.3	21,487	25.2

Notes:

1. Others mainly represent GRC and roof tiles.

2. During the year ended 31 March 2015, our Group performed a portion of works in relation to a variation order at the request of our customer. Since a material portion of the variation order was performed prior to the Track Record Period, the amount of revenue recognised during the year ended 31 March 2015 was relatively lower, which resulted in a lower gross profit margin.

3. During the year ended 31 March 2017, our Group was engaged in two timber flooring product supply and installation projects where our customers requested us to use other branded timber flooring products. Gross profit generated from the abovementioned two projects in aggregate amounted to approximately HK$0.1 million.

The following table sets out our Group's gross profit and gross profit margin by products.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		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
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Interior wall-fill materials — gypsum block products	26,595	30.2	30,863	37.3	42,245	38.7	3,739	31.5	11,816	35.8
Timber flooring products	11,038	10.9	15,239	11.7	19,267	22.8	3,107	17.1	5,423	14.2
Other (Note)	10,455	22.5	1,450	37.1	2,710	31.9	348	40.8	4,248	29.8
	48,088	20.4	47,552	21.9	64,222	31.7	7,194	23.3	21,487	25.2

Note: Others mainly represent GRC and roof tiles.

Our Group's gross profit amounted to approximately HK$48.1 million, HK$47.6 million, HK$64.2 million, HK$7.2 million and HK$21.5 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 20.4%, 21.9%, 31.7%, 23.3% and 25.2% respectively.

Our Directors believe that the relatively higher gross profit margin recorded for our supply of building materials only projects, as compared to our supply and installation of building materials projects, was mainly due to the level of subcontracting fees we incurred for engaging subcontractors for installation services in our supply and installation of building materials projects. The level of subcontracting fees is mainly affected by (i) various factors that are specific to the project, such as the scale, complexity and specifications of the project; and (ii) the current fee level in the market which is beyond our control. As such, we might not be able to pass along all of the increase in subcontracting fees to our customers and a relatively lower gross profit margin was therefore recorded for our supply and installation of building materials projects.

During the Track Record Period, our Directors confirm that we had incurred losses of approximately HK$0.3 million for a private residential project in relation to supply and installation of gypsum block products. Such losses were mainly due to (i) the competitive pricing strategy adopted by our Group for this particular project, in the pursuit of increasing our market share in the private residential sector for gypsum block products, which then resulted in a relatively low budgeted profit margin; and (ii) we were not satisfied with the performance of one of our Group's subcontractors, which accordingly led us to engage another subcontractor at additional costs for the rectification works.

Our Group's gross profit margin remained stable at approximately 20.4% for the year ended 31 March 2015 and 21.9% for year ended 31 March 2016. Our gross profit margin increased to approximately 31.7% for the year ended 31 March 2017. Such increase was mainly due to the increment in revenue contribution from our interior wall-fill materials segment which had a relatively higher gross profit margin as compared to our other segment and contributed approximately 37.3%, 38.2%, 54.0% 38.5% and 38.6% of our revenue for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively. Our gross profit margin remained stable at approximately 23.3% for the three months ended 30 June 2016 and approximately 25.2% for the three months ended 30 June 2017.

(i) Gross profit and gross profit margin of supply of building materials only — Interior wall-fill materials

Our gross profit from supply of interior wall-fill materials amounted to approximately HK$25.1 million, HK$27.6 million, HK$27.4 million, HK$2.3 million and HK$8.2 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 37.0%, 39.5%, 43.1%, 31.0% and 42.6% respectively. Our gross profit from supply of interior wall-fill materials increased by approximately HK$2.5 million, or approximately 10.0%, from approximately HK$25.1 million for the year ended 31 March 2015 to approximately HK$27.6 million for the year ended 31 March 2016. The increase was mainly due to the increase in gross profit recorded of approximately HK$16.1 million in aggregate from Project A1 and Project A32, which had approximately HK$2.8 million in aggregate of gross profit recorded during the year ended 31 March 2015 and approximately HK$18.9 million in aggregate of gross profit recorded during the year ended 31 March 2016. Such increase was partially offset by the decrease in gross profit recorded from Project A3, which had approximately HK$11.2 million of gross profit recorded during the year ended 31 March 2015 and no gross profit was recorded during the year ended 31 March 2016 as the project was completed during the year ended 31 March 2015.

Our gross profit from supply of interior wall-fill materials decreased by approximately HK$0.2 million, or approximately 0.7%, from approximately HK$27.6 million for the year ended 31 March 2016 to approximately HK$27.4 million for the year ended 31 March 2017. The decrease was mainly due to the decrease in gross profit recorded of approximately HK$15.8 million from Project A1, which had approximately HK$15.8 million of gross profit recorded during the year ended 31 March 2016 and no gross profit was recorded during the year ended 31 March 2017. Such decrease was partially offset by the increase in gross profit recorded of approximately HK$17.3 million in aggregate from Project A8, Project A15 and Project B5, which had approximately HK$17.3 million of gross profit recorded in aggregate during the year ended 31 March 2017 and no gross profit was recorded during the year ended 31 March 2016 as these projects only commenced during the year ended 31 March 2017.

Our gross profit from supply of interior wall-fill materials increased by approximately HK$5.9 million, or approximately 256.5%, from approximately HK$2.3 million for the three months ended 30 June 2016 to approximately HK$8.2 million for the three months ended 30 June 2017. The increase was mainly due to the increase in gross profit recorded of approximately HK$5.3 million from Project A12 and Project B5, which had approximately HK$5.3 million of gross profit recorded during the three months ended 30 June 2017 and no gross profit was recorded during the three months ended 30 June 2016.

Our gross profit margin for supply of interior wall-fill materials increased from approximately 37.0% for the year ended 31 March 2015 to approximately 39.5% for the year ended 31 March 2016. The increase in our gross profit margin for supply of interior wall-fill materials for the year ended 31 March 2016 was primarily attributable to Project A1 which contributed a large portion of gross profit to our supply of interior wall-fill materials segment during the year ended 31 March 2016, and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply of interior wall-fill materials projects during the year ended 31 March 2015. A relatively higher gross profit margin was noted for the aforementioned project due to our successful negotiation with customers for a relatively higher profit margin in view of the short project completion time required by our customer.

Our gross profit margin for supply of interior wall-fill materials increased from approximately 39.5% for the year ended 31 March 2016 to approximately 43.1% for the year ended 31 March 2017. The increase in our gross profit margin for supply of interior wall-fill materials for the year ended 31 March 2017 was primarily attributable to Project A8 and Project A15 which contributed a large portion of gross profit to our supply of interior wall-fill materials segment during the year ended 31 March 2017, and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply of interior wall-fill materials projects during the year ended 31 March 2016. A relatively higher gross profit margin was noted for the aforementioned projects because our products were able to meet the specific specifications as set out by customers.

Our gross profit margin for supply of interior wall-fill materials increased from approximately 31.0% for the three months ended 30 June 2016 to approximately 42.6% for the three months ended 30 June 2017. The increase in our gross profit margin for supply of interior wall-fill materials for the year ended 31 March 2017 was primarily attributable to Project A15 which contributed a large portion of gross profit to our supply of interior wall-fill materials segment during the three months ended 30 June 2017, and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply of interior wall-fill materials projects during the three months ended 30 June 2016. A relatively higher gross profit margin was noted for such project due to the same reasons as mentioned above.

(ii) Gross profit and gross profit margin of supply of building materials only — Timber flooring products

Our gross profit from supply of timber flooring products amounted to approximately HK$1.2 million, HK$1.8 million, HK$0.6 million, HK$10,000 and HK$96,000 for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 81.3%, 52.1%, 24.4%, 83.3% and 83.5% respectively. Our gross profit from supply of timber flooring products increased by approximately HK$0.6 million, or approximately 50.0%, from approximately HK$1.2 million for the year ended 31 March 2015 to approximately HK$1.8 million for the year ended 31 March 2016. The increment was mainly due to the increment in gross profit recorded from certain projects which had a relatively higher amount of gross profit recorded during the year ended 31 March 2016 as these projects only commenced during the year ended 31 March 2016.

Our gross profit from supply of timber flooring products decreased by approximately HK$1.2 million, or approximately 66.7%, from approximately HK$1.8 million for the year ended 31 March 2016 to approximately HK$0.6 million for the year ended 31 March 2017. The decrease was mainly due to the decrease in gross profit recorded from certain projects which had a relatively lower gross profit recorded during the year ended 31 March 2017 as a substantial portion of these projects were completed during the year ended 31 March 2016.

Our gross profit from supply of timber flooring products had a relatively low contribution to our total gross profit and amounted to approximately HK$10,000 and HK$96,000 for the three months ended 30 June 2016 and 2017 respectively.

Our gross profit margin for supply of timber flooring products decreased from approximately 81.3% for the year ended 31 March 2015 to approximately 52.1% for the year ended 31 March 2016. The decrease in our gross profit margin for supply of timber flooring products for the year ended 31 March 2016 was primarily attributable to a certain project which contributed a large portion of our gross profit to our supply of timber flooring products segment during the year ended 31 March 2015 and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply of timber flooring products projects during the year ended 31 March 2016. A relatively higher gross profit margin was noted for the aforementioned project due to the relatively higher gross profit margin charged by us for the tailor-made timber flooring products specified by our customers.

Our gross profit margin for supply of timber flooring products decreased from approximately 52.1% for the year ended 31 March 2016 to approximately 24.4% for the year ended 31 March 2017. The decrease in our gross profit margin for supply of timber flooring products for the year ended 31 March 2017 was primarily attributable to certain project which incurred certain upfront cost for the project.

Our gross profit margin for supply of timber flooring products remained relatively stable at approximately 83.3% and 83.5% for the three months ended 30 June 2016 and 2017 respectively.

(iii) Gross profit and gross profit margin of supply of building materials only — Others

Our gross profit from supply of other building materials amounted to approximately HK$7.1 million, HK$18,000, HK$6,000, nil and HK$10,000 for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 19.3%, 21.8%, 22.2%, nil and 32.3% respectively. Our gross profit from supply of other building materials decreased from approximately HK$7.1 million for the year ended 31 March 2015 to approximately HK$18,000 for the year ended 31 March 2016 and further decreased to approximately HK$6,000 for the year ended 31 March 2017. The decrease was mainly due to the decrease in gross profit recorded from Project A2, which had approximately HK$5.9 million of gross profit recorded during the year ended 31 March 2015 and no gross profit was recorded during the year ended 31 March 2016 as the project was completed during the year ended 31 March 2015.

Our group's gross profit from supply of other building materials remained at a low level for the year ended 31 March 2017 and for the three months ended 30 June 2016 and 2017 since our Group only offer our other building materials products on an *ad hoc* basis. In view of the above, the volume and value of our other building materials products segment, including our gross profit margin, may vary from period to period.

(iv) Gross profit and gross profit margin of supply and installation of building materials — Interior wall-fill materials

Our gross profit from supply and installation of interior wall-fill materials amounted to approximately HK$1.5 million, HK$3.3 million, HK$14.9 million, HK$1.5 million and HK$3.7 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 7.4%, 25.6%, 32.6%, 32.3% and 26.5% respectively. Our gross profit from supply and installation of interior wall-fill materials increased by approximately HK$1.8 million, or approximately 120.0%, from approximately HK$1.5 million for the year ended 31 March 2015 to approximately HK$3.3 million for the year ended 31 March 2016. The increase was mainly a due to the increase in gross profit recorded from Project A21, which had approximately HK$2.0 million of gross profit recorded during the year ended 31 March 2016 and no gross profit was recorded during the year ended 31 March 2015 as such project only commenced during the year ended 31 March 2016. Such increase was partially offset by the decrease in gross profit recorded from Project A17, which had approximately HK$1.1 million of gross profit recorded during the year ended 31 March 2015 and approximately HK$0.1 million of gross profit recorded during the year ended 31 March 2016.

Our gross profit from supply and installation of interior wall-fill materials increased by approximately HK$11.6 million, or approximately 351.5%, from approximately HK$3.3 million for the year ended 31 March 2016 to approximately HK$14.9 million for the year ended 31 March 2017. The increase was mainly due to the increase in gross profit recorded from Project A4, which had approximately HK$6.3 million of gross profit recorded during the year ended 31 March 2017 and no gross profit was recorded during the year ended 31 March 2016 as the project only commenced during the year ended 31 March 2017.

Our gross profit from supply and installation of interior wall-fill materials increased by approximately HK$2.2 million, or approximately 146.7%, from approximately HK$1.5 million for the three months ended 30 June 2016 to approximately HK$3.7 million for the three months ended 30 June 2017. The increase was mainly due to the increase in gross profit of HK$2.2 million recorded from Project A4, which had approximately HK$2.2 million of gross profit recorded during the three months ended 30 June 2017.

Our gross profit margin for supply and installation of interior wall-fill materials increased from approximately 7.4% for the year ended 31 March 2015 to approximately 25.6% for the year ended 31 March 2016. The increase in our gross profit margin for supply and installation of interior wall-fill materials for the year ended 31 March 2016 was primarily attributable to Project A17 which contributed a lesser portion of gross profit to our supply and installation of interior wall-fill materials segment during the year ended 31 March 2016 as such project had a relatively lower gross profit margin as compared to the general gross profit margin of other supply and installation of interior wall-fill materials projects during the year ended 31 March 2015. A relatively lower gross profit margin was noted for the aforementioned project since more budgeted cost were estimated at the earlier stages of the project to account for the additional costs that might be incurred. The cost budget of our projects will be reviewed from time to time, in conjunction with the progress and certainty of the expected outcome of our project.

Our gross profit margin for supply and installation of interior wall-fill materials increased from approximately 25.6% for the year ended 31 March 2016 to approximately 32.6% for the year ended 31 March 2017. The increase in our gross profit margin for supply and installation of interior wall-fill materials for the year ended 31 March 2017 was primarily attributable to Project A21 which contributed a material portion of gross profit to our supply and installation of interior wall-fill materials segment during the year ended 31 March 2017 and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply and installation of interior wall-fill materials projects during the year ended 31 March 2016. A relatively higher gross profit margin was noted for the aforementioned project since the project was at the latter stage and lesser actual cost was incurred compared to the budgeted cost. Our Directors believe that the difference between the actual cost and budgeted cost for such project was mainly because (i) lesser actual material costs and maintenance work costs were incurred for the aforementioned project due to our better overall project management; and (ii) lesser actual subcontracting costs were incurred due to our successful negotiation with subcontractors.

Our gross profit margin for supply and installation of interior wall-fill materials decreased from approximately 32.3% for the three months ended 30 June 2016 to approximately 26.5% for the three months ended 30 June 2017. The decrease in our gross profit margin for supply and installation of interior wall-fill materials for the three months ended 30 June 2017 was primarily attributable to Project A21 which contributed a material portion of gross profit to our supply and installation of interior wall-fill materials segment during the three months ended 30 June 2016 and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply and installation of interior wall-fill materials projects during the three months ended 30 June 2017. A relatively higher gross profit margin was noted for such project due to the same reasons as mentioned above.

(v) Gross profit and gross profit margin of supply and installation of building materials — Timber flooring products

Our gross profit from supply and installation of timber flooring products amounted to approximately HK$9.8 million, HK$13.5 million, HK$18.7 million, HK$3.1 million and HK$5.3 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 9.9%, 10.6%, 22.7%, 17.1% and 14.0% respectively. Our gross profit from supply and installation of timber flooring products increased by approximately HK$3.7 million, or approximately 37.8%, from approximately HK$9.8 million for the year ended 31 March 2015 to approximately HK$13.5 million for the year ended 31 March 2016. The increase was mainly a due to the increase in gross profit recorded from Project A27, Project A28 and Project A29, which had approximately HK$4.3 million of gross profit recorded in aggregate during the year ended 31 March 2016 and only approximately HK$45,000 of gross profit recorded in aggregate during the year ended 31 March 2015 as a substantial portion of the projects were completed during the year ended 31 March 2016. Such increase was partially offset by the decrease in gross profit recorded from Project A6, which had approximately HK$2.3 million of gross profit recorded during the year ended 31 March 2015 and approximately HK$14,000 of gross profit recorded during the year ended 31 March 2016.

Our gross profit from supply and installation of timber flooring products increased by approximately HK$5.2 million, or approximately 38.5%, from approximately HK$13.5 million for the year ended 31 March 2016 to approximately HK$18.7 million for the year ended 31 March 2017. The increase was mainly due to the increase in gross profit recorded from Project A11 and Project A14, which had approximately HK$9.5 million of gross profit recorded in aggregate during the year ended 31 March 2017 and only approximately HK$0.9 million recorded in aggregate during the year ended 31 March 2016 as a substantial portion of these projects were completed during the year ended 31 March 2017. Such increase was partially offset by the decrease in gross profit recorded from Project A28, which had approximately HK$2.1 million of gross profit recorded during the year ended 31 March 2016 and approximately HK$0.4 million of gross profit recorded during the year ended 31 March 2017.

Our gross profit from supply and installation of timber flooring products increased by approximately HK$2.2 million, or approximately 71.0%, from approximately HK$3.1 million for the three months ended 30 June 2016 to approximately HK$5.3 million for the three months ended 30 June 2017. The increase was mainly due to the increase in gross profit recorded from Project A5, Project A7, Project A18, Project A31 and Project A38, which had approximately HK$3.9 million of gross profit recorded in aggregate during the three months ended 30 June 2017 and only approximately HK$0.6 million of gross profit recorded in aggregate during the three months ended 30 June 2016 as a greater portion of these projects were completed during the three months ended 30 June 2017. Such increase was partially offset by the decrease in gross profit recorded from Project A16 and Project A25, which had approximately HK$1.4 million of gross profit recorded during the three months ended 30 June 2016 and approximately HK$0.2 million of gross profit recorded during the three months ended 30 June 2017.

Our gross profit margin from supply and installation of timber flooring products remained stable at approximately 9.9% for the year ended 31 March 2015 and approximately 10.6% for the year ended 31 March 2016.

Our gross profit margin from supply and installation of timber flooring products increased from approximately 10.6% for the year ended 31 March 2016 to approximately 22.7% for the year ended 31 March 2017. The increase in our gross profit margin for supply and installation of timber flooring products for the year ended 31 March 2017 was primarily attributable to Project A11 and Project A14 which contributed a material portion of gross profit to our supply and installation timber flooring segment during the year ended 31 March 2017 and had a relatively higher gross profit margin as compared to the general gross profit margin of other supply and installation of interior wall-fill materials projects during the year ended 31 March 2016. A relatively higher gross profit margin was noted for (i) Project A11 which was due to our successful negotiation with customers for a relatively higher profit margin in view of the short project completion time required by our customer; and (ii) Project A14 which was due to the project being at the latter stage and lesser actual cost was incurred compared to budgeted cost. Our Directors believe that the difference between the actual cost and budgeted cost was mainly because lesser actual cost was incurred for the maintenance work for the aforementioned project due to our customer's alterations in its construction plan, which also led to the alteration of our scope of work.

Our gross profit margin from supply and installation of timber flooring products decreased from approximately 17.1% for the three months ended 30 June 2016 to approximately 14.0% for the three months ended 30 June 2017. The decrease in our gross profit margin for supply and installation of timber flooring products for the year ended 31 March 2017 was primarily attributable to Project A5 and Project A7 which contributed a material portion of gross profit to our supply and installation timber flooring segment during the three months ended 30 June 2017 and had a relatively lower gross profit margin as compared to the general gross profit margin of other supply and installation of interior wall-fill materials projects during the three months ended 30 June 2016. A relatively lower gross profit margin was noted for the aforementioned projects which was mainly due to our tendering strategy adopted in securing the aforementioned projects in order to enhance our market share.

(vi) Gross profit and gross profit margin of supply and installation of building materials — Others

Our gross profit from supply and installation of other building materials amounted to approximately HK$3.3 million, HK$1.4 million, HK$2.7 million, HK$0.3 million and HK$4.2 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, representing a gross profit margin of approximately 35.6%, 37.4%, 32.0%, 40.8% and 29.8% respectively. Our gross profit from supply and installation of other building materials decreased by approximately HK$1.9 million, or approximately 57.6%, from approximately HK$3.3 million for the year ended 31 March 2015 to approximately HK$1.4 million for the year ended 31 March 2016. The decrease was mainly due to the decrease in gross profit recorded from certain projects which had a relatively lower gross profit recorded during the year ended 31 March 2016 as a substantial portion of these project were completed during the year ended 31 March 2015.

Our gross profit from supply and installation of other building materials increased by approximately HK$1.3 million, or approximately 92.9%, from approximately HK$1.4 million for the year ended 31 March 2016 to approximately HK$2.7 million for the year ended 31 March 2017. The increase was mainly due to the increase in gross profit recorded from Project A10 and Project A34, which had approximately HK$2.6 million of gross profit recorded in aggregate during the year ended 31 March 2017 and approximately HK$0.9 million of gross profit recorded during the year ended 31 March 2016 as a greater portion of the project was performed during the year ended 31 March 2017.

Our gross profit from supply and installation of other building materials increased by approximately HK$3.9 million, or approximately 1,300%, from approximately HK$0.3 million for the three months ended 30 June 2016 to approximately HK$4.2 million for the three months ended 30 June 2017. The increase was mainly due to the increase in gross profit recorded from Project A10, which had approximately HK$3.6 million of gross profit recorded during the three months ended 30 June 2017 and no revenue recorded during the three months ended 30 June 2016 as the project had not commenced during such period.

Our gross profit margin from supply and installation of other building materials remained stable at approximately 35.6% for the year ended 31 March 2015 and approximately 37.4% for the year ended 31 March 2016.

Our gross profit margin for supply and installation of other building materials decreased from approximately 37.4% for the year ended 31 March 2016 to approximately 32.0% for the year ended 31 March 2017. The decrease was mainly due to Project A10 which contributed a material portion of gross profit to our supply and installation of other building materials segment during the year ended 31 March 2017 and had a lower gross profit margin as compared to our other building materials projects performed during the year ended 31 March 2016.

Our gross profit margin for supply and installation of other building materials decreased from approximately 40.8% for the three months ended 30 June 2016 to approximately 29.8% for the three months ended 30 June 2017. The decrease was mainly due to Project A10 which contributed a material portion of gross profit to our supply and installation of other building materials segment during the three months ended 30 June 2017 and had a lower gross profit margin as compared to our other building materials projects performed during the three months ended 30 June 2016. Since we only offer our other building materials products on an *ad hoc* basis, the volume and value of our other building materials products segment, including our gross profit margin, may vary from period to period.

Other income

Our other income mainly comprised of (i) net foreign exchange gain; and (ii) reversal of impairment loss on trade receivables.

The following table sets forth the details of our Group's other income during the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017.

	For the year ended 31 March			For the three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Bank interest income	6	6	14	3	2
Interest income from deposits paid for life insurance policies	186	193	199	50	52
Mortgage loan interest reimbursed from a related company	193	176	159	42	37
Net foreign exchange gain	2,683	—	520	—	—
Sample income	83	8	254	60	117
Reversal of impairment loss on trade receivables	—	20	—	—	—
Others	514	4	29	—	—
Total	3,665	407	1,175	155	208

For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our other income amounted to approximately HK$3.7 million, HK$0.4 million, HK$1.2 million, HK$0.2 million and HK$0.2 million respectively. Our other income and gains decreased by approximately

HK$3.3 million or 89.2% from approximately HK$3.7 million for the year ended 31 March 2015 to approximately HK$0.4 million for the year ended 31 March 2016. Such decrease in other income and gains was mainly due to the decrease in net foreign exchange gains of approximately HK$2.7 million during the year ended 31 March 2016 as compared to the previous year. During the year ended 31 March 2015, our Group recorded a net foreign exchange gain of approximately HK$2.7 million mainly arise from our purchase of gypsum block products from the manufacturing supplier in Germany where we settled our payment in Euro, and the corresponding depreciation of the EUR against HKD. Our other income and gain increased by approximately HK$0.8 million, or 200.0%, from approximately HK$0.4 million for the year ended 31 March 2016 to approximately HK$1.2 million for the year ended 31 March 2017. The aforementioned increase was mainly due to the net foreign exchange gain resulted from our purchase of gypsum block products from the manufacturing supplier in Germany for the same reasons as mentioned above. Our other income and gains remained stable at approximately HK$0.2 million for the three months ended 30 June 2016 and 2017.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised of (i) transportation fees which represents the amount paid to third-party logistics service providers for delivery of our building materials to customers' construction sites, (ii) marketing fees which represents the expenses in relation to conducting marketing activities such as trade shows and seminars and (iii) mock up expenses which represents the expenses paid for performing demonstration work for acquiring feedback from customers.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Transportation expenses	3,723	65.1	3,783	65.3	6,195	75.3	863	63.5	2,464	69.2
Marketing expenses	500	8.7	800	13.8	600	7.3	150	11.0	—	—
Storage expenses	151	2.6	234	4.0	554	6.7	32	2.3	479	13.5
Testing expenses	193	3.4	220	3.8	307	3.7	133	9.8	47	1.3
Mock up expenses	657	11.5	234	4.0	79	1.0	26	1.9	—	—
Others *(Note)*	498	8.7	528	9.1	498	6.0	157	11.5	570	16.0
Total	5,722	100.0	5,799	100.0	8,233	100.0	1,361	100.0	3,560	100.0

Note: This category includes the sample expenses and insurance expenses.

For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our selling and distribution expenses amounted to approximately HK$5.7 million, HK$5.8 million, HK$8.2 million, HK$1.4 million and HK$3.6 million respectively. Our selling and distribution expenses remained stable at approximately HK$5.7 million for the year ended 31 March 2015 and approximately HK$5.8 million for the year ended 31 March 2016. Our selling and distribution expenses increased by approximately HK$2.4 million or 41.4% from approximately HK$5.8 million for the year ended 31 March 2016 to approximately HK$8.2 million for the year ended 31 March 2017. The aforementioned increase was mainly due to the increase in transportation expenses of approximately HK$2.4 million for the year ended 31 March 2017 which was mainly due to the relatively higher delivery expenses incurred for certain supply of building materials projects which commenced during the year ended 31 March 2017, namely Project A8 and Project B5. Our selling and distribution expenses increased by approximately HK$2.2 million, or 157.1%, from approximately HK$1.4 million for the three months ended 30 June 2016 to approximately HK$3.6 million for the three months ended 30 June 2017. Such increase was mainly due to the increase in transportation expenses of approximately HK$1.6 million for the three months ended 30 June 2017 which was mainly due to the relatively higher delivery expenses incurred for certain supply of building materials projects, namely Project A15.

Administrative expenses

Our administrative expenses mainly comprised of (i) staff costs which primarily includes salaries, wages and bonuses payable to our staffs, including our Directors; (ii) depreciation which mainly represents the depreciation expenses for our property, plant and equipment; (iii) listing expenses which mainly represents legal or financial advisory services expenses in relation to the Listing; (iv) operating lease rental expenses which mainly represents the rental expenses for the lease of our office premises and director's quarters for our Directors; (v) entertainment expenses; and (vi) travelling expenses.

	For the year ended 31 March						For the three months ended 30 June			
	2015		2016		2017		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Directors' emoluments	2,417	17.7	2,196	12.7	3,120	15.4	654	16.1	886	9.5
Other staff costs	3,828	28.0	5,072	29.3	7,269	35.8	1,472	36.3	2,497	26.9
Total staff costs	6,245	45.7	7,268	42.0	10,389	51.2	2,126	52.4	3,383	36.4
Advisory and consultancy fee	470	3.4	1,483	8.6	455	2.2	94	2.3	147	1.6
Auditor's remuneration	85	0.6	85	0.5	125	0.6	21	0.5	—	—
Bank charges	312	2.3	430	2.5	382	1.9	33	0.8	64	0.7
Depreciation	304	2.2	457	2.6	573	2.8	111	2.7	89	1.0
Listing expenses	—	—	—	—	1,875	9.2	—	—	2,948	31.7
Net foreign exchange loss	—	—	109	0.6	—	—	80	2.0	234	2.5
Legal and professional fee	21	0.1	607	3.5	98	0.5	—	—	—	—
Loss on disposal of property, plant and equipment	—	—	14	0.1	262	1.3	—	—	—	—
Allowance for inventories	—	—	57	0.3	—	—	—	—	—	—
Impairment loss on trade receivables	632	4.6	—	—	108	0.5	—	—	282	3.0
Impairment loss on retention monies receivables	—	—	—	—	200	1.0	—	—	—	—
Operating lease rental expense	488	3.6	1,316	7.6	1,470	7.3	336	8.3	379	4.1
Printing and stationery expenses	124	0.9	120	0.7	157	0.8	51	1.3	40	0.4
Entertainment expense	3,927	28.7	3,949	22.8	2,465	12.2	918	22.6	1,149	12.4
Travelling expense	463	3.4	493	2.8	625	3.1	148	3.6	149	1.6
Others *(Note)*	619	4.5	930	5.4	1,096	5.4	139	3.5	425	4.6
Total	13,690	100.0	17,318	100.0	20,280	100.0	4,057	100.0	9,289	100.0

Note: This category mainly includes the utility charges, internet services and telephone expenses, office repair and maintenance expenses, computer maintenance service expenses and office cleaning and sanitary expenses.

For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our administrative expenses amounted to approximately HK$13.7 million, HK$17.3 million, HK$20.3 million, HK$4.1 million and HK$9.3 million respectively. Our administrative expenses increased by approximately HK$3.6 million or 26.3% from approximately HK$13.7 million for the year ended 31 March 2015 to approximately HK$17.3 million for the year ended 31 March 2016. Such increase was mainly due to (i) the increase in operating lease rental expense by approximately HK$0.8 million which was mainly due to the increase in operating lease rental expense made for an additional office of our Group; (ii) the increase in advisory and consultancy fee by approximately HK$1 million; and (iii) the increase in total staff costs by approximately HK$1.1 million due to the additional staff hired.

Our administrative expense increased by approximately HK$3.0 million or 17.3% from approximately HK$17.3 million for the year ended 31 March 2016 to approximately HK$20.3 million for the year ended 31 March 2017. Such increase was mainly due to (i) the increase in our total staff cost of approximately HK$3.1 million which was mainly due to the increase in staff employed as part of our Group's expansion plan; and (ii) the increase in listing expenses of approximately HK$1.9 million which was mainly due to various professional parties in relation to the Listing being engaged during the year ended 31 March 2017. Such increase was partially offset by (i) the decrease in entertainment expenses of approximately HK$1.4 million; and (ii) the decrease in advisory and consultancy fee of approximately HK$1.0 million.

Our administrative expense increased by approximately HK$5.2 million, or 126.8%, from approximately HK$4.1 million for the three months ended 30 June 2016 to approximately HK$9.3 million for the three months ended 30 June 2017. Such increase was mainly due to (i) the increase in our total staff cost of approximately HK$1.3 million which was mainly due to the increase in staff employed; and (ii) the increase in listing expenses of approximately HK$2.9 million which was mainly due to various professional parties in relation to the Share Offer being engaged as explained above.

Finance costs

Our Group's finance costs mainly comprised interest expense on our bank loans. For the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, our finance costs amounted to approximately HK$3.2 million, HK$2.4 million, HK$2.5 million, HK$0.6 million and HK$0.6 million respectively, and carries interest at rates ranging from approximately 2.75% to 6.75%, 2.75% to 6.75%, 2.75% to 6.75%, 2.75% to 6.75% and 2.75% to 6.75% per annum respectively. Our Group's bank borrowings amounted to approximately HK$37.7 million, HK$43.6 million, HK$40.9 million, HK$44.9 million and HK$40.3 million as at 31 March 2015, 2016 and 2017 and as at 30 June 2016 and 2017 respectively. Our finance costs decreased from approximately HK$3.2 million to approximately HK$2.4 million which was mainly due to our decrease in interest expenses on our bank loans. Our finance costs remained stable at approximately HK$2.4 million and HK$2.5 million for the year ended 31 March 2016 and 2017 respectively. Our finance cost remained stable at approximately HK$0.6 million for the three months ended 30 June 2016 and 2017 respectively.

Income tax expense

During the Track Record Period, our Group generated income only from Hong Kong and Macau and was subject to Hong Kong profits tax and Macau complementary income tax. Hong Kong profit tax had been provided at the rate of 16.5% on our Group's estimated assessable profit arising in Hong Kong for each of the three years ended 31 March 2017. Macau complementary income tax has been provided at the rate of 12% on the estimated assessable profit arising in Macau for each of the three years ended 31 March 2017. Our Group recognised income tax expense of approximately HK$4.9 million, HK$3.5 million, HK$6.1 million, HK$0.2 million and HK$1.8 million for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 respectively, which was in line with the changes in our Group's profit.

Our Group's effective tax rate for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017 were approximately 16.7%, 15.5%, 17.7%, 16.5% and 22.4% respectively. Considering our income tax expense mainly represents Hong Kong profit tax, the effective tax rate for the two years ended 31 March 2016 and for the three months ended 30 June 2016 remains close to the Hong Kong profit tax rate. The effective tax rate for the year ended 31 March 2017 and for the three months ended 30 June 2017 was higher than the Hong Kong profit tax rate which is mainly attributable to the non-deductible listing expenses of approximately HK$1.9 million and HK$2.9 million for the year ended 31 March 2017 and for the three months ended 30 June 2017 respectively. Excluding the listing expenses, the effective tax rate for the year ended 31 March 2017 and for the three months ended 30 June 2017 would be approximately 16.8% and 16.5% which is close to the Hong Kong profit tax rate.

Profit for the year

Our Group's profit after tax decreased from approximately HK$24.3 million for the year ended 31 March 2015 to approximately HK$18.9 million for the year ended 31 March 2016, representing a decrease of approximately HK$5.4 million or 22.2%. The decrease in our profitability for the year ended 31 March 2016 was mainly attributable to the combined effect of (i) the decrease in our other income; and (ii) the increase in our administrative expenses for the reasons as discussed above.

Our Group's profit after tax increased from approximately HK$18.9 million for the year ended 31 March 2016 to approximately HK$28.3 million for the year ended 31 March 2017, representing an increase of approximately HK$9.4 million or 49.7%. The increase in our profitability for the year ended 31 March 2017 was mainly attributable to the combined effect of (i) the increase in our gross profit; and (ii) the increase in our other income for the reasons as discussed above.

Our Group's profit after tax increased from approximately HK$1.1 million for the three months ended 30 June 2016 to approximately HK$6.4 million for the three months ended 30 June 2017, representing an increase of approximately HK$5.3 million or 481.8%. The increase in our profitability for the three months ended 30 June 2017 was mainly attributable to the combined effect of (i) the increase in our gross profit; and (ii) the increase in our selling and distribution expenses, administrative expenses and income tax expenses for the reasons as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

Net current assets

The following table sets out the details of our Group's current assets and liabilities as at the end of the financial years/period indicated.

	As at 31 March			As at 30 June	As at 31 October
	2015	2016	2017	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Inventories	2,811	5,219	6,190	3,978	11,799
Amounts due from customers for contract work	8,331	10,147	40,756	40,627	44,689
Trade receivables	45,913	36,876	32,594	34,607	23,774
Retention monies receivables	14,469	18,168	15,231	17,192	18,113
Deposits, prepayments and other receivables	420	3,807	6,020	3,966	10,777
Amounts due from related companies	18,750	11,473	11,320	4,432	4,291
Amounts due from directors	7,173	1,604	24	—	—
Tax recoverable	2	822	—	—	—
Pledged bank deposits	3,030	3,036	18,049	3,051	3,055
Bank balances and cash	2,505	3,437	7,320	26,589	9,424
	103,404	94,589	137,504	134,442	125,922
Current liabilities					
Trade and bill payables	36,107	22,636	40,560	32,344	30,108
Amounts due to customers for contract work	7,384	7,793	1,758	228	193
Retention monies payables	—	395	926	1,569	2,327
Accruals and other payables	5,603	806	1,722	3,793	6,607
Amounts due to related companies	423	—	—	—	—
Bank borrowings	37,651	43,617	40,879	40,260	46,168
Obligations under finance lease	162	—	—	—	—
Tax payable	—	47	4,521	6,366	7,403
	87,330	75,294	90,366	84,560	92,806
Net current assets	16,074	19,295	47,138	49,882	33,116

Our Group's current assets mainly consisted of (i) amounts due from customers for contract work; (ii) trade receivables; (iii) retention monies receivables; (iv) amounts due from related companies; and (v) cash and cash equivalents. Our Group's current liabilities mainly consisted of (i) trade and bill payables; (ii) amounts due to customer for contract work; and (iii) bank borrowings. Our net current assets, being the difference between total current assets and total current liabilities remained positive during the Track Record Period.

Our net current assets increased by approximately HK$3.2 million from approximately HK$16.1 million as at 31 March 2015 to approximately HK$19.3 million as at 31 March 2016. The increase was mainly due to the decrease of trade and bill payables of approximately HK$13.5 million, which was partially offset by the decrease in trade receivables of approximately HK$9.0 million.

Our net current assets increased by approximately HK$27.8 million from approximately HK$19.3 million as at 31 March 2016 to approximately HK$47.1 million as at 31 March 2017. The increase was mainly due to (i) the increase in amounts due from customers for contract work of approximately HK$30.6 million; and (ii) the increase in pledged bank deposits of approximately HK$15.0 million, which was partially offset by the increase in trade and bill payables of approximately HK$17.9 million.

Our net current assets increased by approximately HK$2.8 million from approximately HK$47.1 million as at 31 March 2017 to approximately HK$49.9 million as at 30 June 2017. The increase was mainly due to (i) the increase in bank balances and cash of approximately HK$19.3 million; and (ii) the decrease in trade and bill payables of approximately HK$8.2 million, which was partially offset by (i) the decrease in amounts due from related companies of approximately HK$6.9 million; and (ii) the decrease in pledged bank deposits of approximately HK$15.0 million.

Our net current assets decreased by approximately HK$16.8 million from approximately HK$49.9 million as at 30 June 2017 to approximately HK$33.1 million as at 31 October 2017. The decrease was mainly due to (i) the decrease in bank balances and cash of approximately HK$17.2 million; (ii) the decrease in trade receivables of approximately HK$10.8 million and (iii) the increase in bank borrowings of approximately HK$5.9 million, which was partially offset by (i) the increase in inventories of approximately HK$7.8 million; and (ii) the increase in deposits, prepayments and other receivables of approximately HK$6.8 million.

Cash flow

The following table sets out a summary of our net cash flow for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017.

	For the year ended 31 March			For the three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Net cash from operating activities	14,877	1,201	22,876	1,099	2,235
Net cash from (used in) investing activities	(4,034)	(3,235)	(13,754)	(3,643)	18,270
Net cash from (used in) financing activities	(14,122)	4,997	(5,239)	719	(1,236)
Net increase/(decrease) in cash and cash equivalents	(3,279)	2,963	3,883	(1,825)	19,269
Cash and cash equivalents at the beginning of the year	3,753	474	3,437	3,437	7,320
Cash and cash equivalents at the end of the year	474	3,437	7,320	1,612	26,589
Analysis of Components of Cash and Cash Equivalents:					
Bank balances and cash	2,505	3,437	7,320	3,572	26,589
Bank overdrafts	(2,031)	—	—	(1,900)	—
	474	3,437	7,320	1,612	26,589

Operating cash flows before movements in working capital

During the Track Record Period, our operating cash flows before movements in working capital represented profit before tax for the year, adjustment for depreciation for property, plant and equipment, impairment loss (reversal of impairment loss) on trade receivables, impairment loss on retention monies receivables, interest income and finance costs.

For the year ended 31 March 2015, we had cash flows before movements in working capital of approximately HK$32.9 million. Such amount was mainly derived from our profit before tax of approximately HK$29.2 million, positively adjusted for (i) finance costs of approximately HK$3.2 million; (ii) impairment loss on trade receivables of approximately HK$0.6 million; and (iii) depreciation of property, plant and equipment of approximately HK$0.3 million; and negatively adjusted for (i) the interest income from deposits paid for life insurance policies of approximately HK$0.2 million; and (ii) mortgage loan interest reimbursed from a related company of approximately HK$0.2 million.

For the year ended 31 March 2016, we had cash flows before movements in working capital of approximately HK$25.2 million. Such amount was mainly derived from our profit before tax of approximately HK$22.4 million, positively adjusted for (i) finance costs of approximately HK$2.4 million; and (ii) depreciation of property, plant and equipment of approximately HK$0.5 million; and negatively adjusted for (i) the interest income from deposits paid for life insurance policies of approximately HK$0.2 million; and (ii) mortgage loan interest reimbursed from a related company of approximately HK$0.2 million.

For the year ended 31 March 2017, we had cash flows before movements in working capital of approximately HK$37.6 million. Such amount was mainly derived from our profit before tax of approximately HK$34.4 million, positively adjusted for (i) finance costs of approximately HK$2.5 million; (ii) depreciation of property, plant and equipment of approximately HK$0.6 million; (iii) impairment loss on retention monies receivables of approximately HK$0.2 million; and (iv) loss on disposal of property, plant and equipment of approximately HK$0.3 million and negatively adjusted for (i) the interest income from deposits paid for life insurance policies of approximately HK$0.2 million; and (ii) mortgage loan interest reimbursed from a related company of approximately HK$0.2 million.

For the three months ended 30 June 2017, we had cash flows before movements in working capital of approximately HK$9.1 million. Such amount was mainly derived from our profit before tax of approximately HK$8.2 million, positively adjusted for (i) finance costs of approximately HK$0.6 million; and (ii) impairment loss on trade receivables of approximately HK$0.3 million.

Net cash from operating activities

Our cash flow from operating activities is primarily affected by a number of factors, which include the progress of our projects and the settlement of trade and retention receivables by our customers and trade, bill and retention monies payables by our Group.

Net cash generated from operating activities amounted to approximately HK$14.9 million for the year ended 31 March 2015. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$32.9 million, positively adjusted for (i) the increase in amounts due to customers for contract work by approximately HK$3.9 million; (ii) the decrease in deposits, prepayments and other receivables by approximately HK$2.7 million; and (iii) the decrease in amounts due from customers for contract work by approximately HK$1.8 million; and negatively adjusted for (i) the increase in trade receivables by approximately HK$17.5 million; (ii) increase in retention monies receivables by approximately HK$4.8 million; and (iii) decrease in trade and bill payables by approximately HK$4.9 million.

Net cash generated from operating activities amounted to approximately HK$1.2 million for the year ended 31 March 2016. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$25.2 million, positively adjusted for the decrease in trade receivables by approximately HK$9.1 million; and negatively adjusted for the (i) increase in inventories of approximately HK$2.5 million; (ii) increase in retention monies receivable of approximately HK$3.7 million; (iii) increase in deposits, prepayments and other receivables by approximately HK$3.4 million; (iv) decrease in trade and bill payables by approximately HK$13.5 million; and (v) decrease in accruals and other payables by approximately HK$4.8 million.

Net cash generated from operating activities amounted to approximately HK$22.9 million for the year ended 31 March 2017. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$37.6 million, positively adjusted for the (i) decrease in trade receivables of approximately HK$4.2 million; (ii) decrease in retention monies receivables of approximately HK$2.7 million; and (iii) increase in trade and bill payables of approximately HK$17.9 million; and negatively adjusted for the (i) increase in deposits, prepayments and other receivables of approximately HK$2.2 million; (ii) increase in amounts due from customers for contract work of approximately HK$30.6 million; and (iii) decrease in amounts due to customers for contract work of approximately HK$6.0 million.

Net cash generated from operating activities amounted to approximately HK$2.2 million for the three months ended 30 June 2017. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$9.1 million, positively adjusted for the (i) decrease in inventories of approximately HK$2.2 million; (ii) decrease in deposits, prepayments and other receivables of approximately HK$2.1 million; and (iii) increase in accruals and other payables of approximately HK$2.1 million; and negatively adjusted for the (i) increase in trade receivables of approximately HK$2.3 million; (ii) increase in retention monies receivables of approximately HK$2.0 million; (iii) decrease in trade and bill payables of approximately HK$8.2 million; and (iv) decrease in amounts due to customers for contract work of approximately HK$1.5 million.

Net cash used in investing activities

Our investing activities during the Track Record Period was primarily related to pledged bank deposits and amounts due from related companies and Directors.

Net cash used in investing activities was approximately HK$4.0 million for the year ended 31 March 2015, which was mainly due to the (i) advance to related companies of approximately HK$2.1 million; and (ii) the advance to directors of approximately HK$2.0 million.

Net cash from investing activities were approximately HK$3.2 million for the year ended 31 March 2016, which was mainly due to the advance to directors of approximately HK$9.4 million, which was partially offset by the repayment from related companies of approximately HK$7.3 million.

Net cash used in investing activities was approximately HK$13.8 million for the year ended 31 March 2017, which was mainly due to the placement in pledged bank deposits of approximately HK$15.0 million, partially offset by the repayment from directors of approximately HK$1.6 million.

Net cash from investing activities was approximately HK$18.3 million for the three months ended 30 June 2017, which was mainly due to the (i) release in pledged bank deposits of approximately HK$15.0 million; and (ii) repayment from related companies of approximately HK$6.9 million, and was partially offset by deposit for acquisition of property of approximately HK$3.6 million.

Net cash from (used in) financing activities

Our financing activities during the Track Record Period mainly included the proceeds from borrowings and also the repayments of borrowings.

Net cash used in financing activities was approximately HK$14.1 million for the year ended 31 March 2015, which was mainly due to (i) the repayments of bank borrowings of approximately HK$10.2 million; (ii) repayment to related companies of approximately HK$2.1 million; and (iii) interest paid of approximately HK$3.2 million; and partially offset by the new bank loans raised of approximately HK$1.6 million.

Net cash from financing activities was approximately HK$5.0 million for the year ended 31 March 2016, which was mainly due to the new bank loans raised of approximately HK$37.0 million which was partially offset by the repayment of bank borrowings of approximately HK$29.0 million.

Net cash used in financing activities was approximately HK$5.2 million for the year ended 31 March 2017, which was mainly due to (i) repayments of bank borrowings of approximately HK$37.7 million; and (iii) interest paid of approximately HK$2.5 million; and partially offset by the new bank loans raised of approximately HK$35.0 million.

Net cash used in financing activities was approximately HK$1.2 million for the three months ended 30 June 2017, which was mainly due to (i) repayments of bank borrowings of approximately HK$22.0 million; and (iii) interest paid of approximately HK$0.6 million; and partially offset by the new bank loans raised of approximately HK$21.4 million.

Capital commitments

As at 30 June 2017, our Group did not have any significant capital commitments.

Statement of indebtedness

Set out below is a table of our Group's indebtedness during the Track Record Period and as at 31 October 2017, being the latest practicable date for determining our Group's indebtedness.

	As at 31 March			As at 30 June	As at 31 October
	2015	**2016**	**2017**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Amounts due to related companies	423	—	—	—	—
Bank borrowings:					
— Bank overdrafts	2,031	—	—	—	—
— Bank borrowings	35,620	43,617	40,879	40,260	46,168
Total bank borrowings	37,651	43,617	40,879	40,260	46,168
Obligations under finance leases	162	—	—	—	—
	38,236	43,617	40,879	40,260	46,168

Our Group's indebtedness mainly comprised borrowings from our bankers in the form of bank loans and overdrafts. Our bank loans amounted to approximately HK$37.7 million, HK$43.6 million, HK$40.9 million, HK$40.3 million and HK$46.2 million as at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017 respectively. All bank borrowings are either due for repayment within one year or repayable after one year but contains a repayment on demand clause. Accordingly, all bank borrowings have been classified as current liabilities.

Set out below are the maturity terms of our Group's borrowings as at the end of the respective financial years/period indicated.

	As at 31 March			As at 30 June	As at 31 October
	2015	**2016**	**2017**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
On demand	2,031	—	—	—	—
Within one year	27,324	37,738	36,517	36,140	36,512
After one year but within two years	2,417	1,517	983	991	1,262
After two years but within five years	3,375	2,541	2,142	2,042	2,883
After five years	2,504	1,821	1,237	1,087	5,511
	37,651	43,617	40,879	40,260	46,168

Our bank overdrafts carried interest at market rates ranging from 2.75% to 6.75% per annum for the year ended 31 March 2015. No bank overdraft was utilised as at 31 March 2016 and 2017, 30 June 2017 and 31 October 2017.

Set out below is a breakdown of our Group's bank borrowings categorised into fixed-rate borrowings and variable-rate borrowings.

	As at 31 March			As at 30 June	As at 31 October
	2015	**2016**	**2017**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Fixed-rate borrowings	5,868	4,987	4,064	3,827	3,660
Variable-rate borrowings	31,783	38,630	36,815	36,433	42,508
	37,651	43,617	40,879	40,260	46,168

Set out below are the ranges of effective interest rates (which are also equal to the contracted interest rates) per annum of our Group's bank borrowings.

	For the year ended 31 March			For the three months ended 30 June	For the month ended 31 October
	2015	2016	2017	2017	2017
					(unaudited)
Fixed-rate borrowings	3.75% to 5.5%	3.75% to 5.5%	3.75% to 5.5%	3.75%	3.75%
Variable-rate borrowings	2.75% to 6.75%	2.75% to 6.75%	2.75% to 6.75%	2.75% to 6.75%	2.00% to 6.25%

During the three years ended 31 March 2017 and the three months ended 30 June 2017, our Group obtained new bank borrowings in the amounts of approximately HK$1.6 million, HK$37 million, HK$35 million and HK$21.4 million respectively, and such loans bear interest at market rates as set out above.

Set out below are the amounts of banking facilities and the utilisation as at the end of the respective financial years/period indicated.

	As at 31 March			As at 30 June	As at 31 October
	2015	2016	2017	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Facility amount	39,562	50,000	52,055	52,600	72,215
Utilisation:					
— Secured bank borrowings	32,155	35,377	35,314	35,079	46,168
— Unsecured bank borrowings	5,496	8,240	5,565	5,181	—
	37,651	43,617	40,879	40,260	46,168

The above banking facilities were secured by

(i) pledged bank deposits of our Group amounting to approximately HK$3.0 million, HK$3.0 million, HK$18.0 million, HK$3.1 million and HK$3.1 million as at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017 respectively;

(ii) certain property of a related company;

(iii) certain properties of our Company;

(iv) unlimited personal guarantee provided by our Directors.

The abovementioned personal guarantees provided by our Directors is expected to be released upon Listing.

As at the Latest Practicable Date, unutilised and unrestricted banking facilities amounted to approximately HK$11.5 million which is available for drawdown.

Save as aforesaid or as otherwise disclosed herein, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other significant contingent liabilities outstanding as at the closure of business on the Latest Practicable Date.

Contingent liabilities

As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, our Group recorded contingent liabilities amounting to nil, approximately HK$1.8 million, HK$3.9 million, HK$3.9 million and HK$5.2 million respectively in relation to performance bonds. As at 31 March 2015, 2016 and 2017, 30 June 2017 and 31 October 2017, our Group provided guarantee of performance bonds in our ordinary course of business. The performance bonds are expected to be released in accordance with the terms of the respective construction contracts.

Our Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of our Group since 30 June 2017 and up to the date of this prospectus. Our Directors have confirmed that as at the Latest Practicable Date, we had no external financing plans and no material covenants relating to our overdraft facilities. Our Directors have confirmed that there have been no material defaults in payment during the Track Record Period.

Financial resources

During the Track Record Period and up to the Latest Practicable Date, we have funded our liquidity and working capital requirements primarily by capital injection from shareholders, cash generated from operating activities, and credit facilities from banks. We intend to finance our future operations, capital expenditures and other working capital requirements with the cash generated from operating activities, cash and bank balances available, credit facilities from banks and the net proceeds from the Listing.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration of the presently available financial resources to our Group, including other internal resources and the expected net proceeds of the Listing, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

ANALYSIS OF VARIOUS ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Consolidated statements of financial position

The following table sets out our consolidated statements of financial position as at 31 March 2015, 2016 and 2017 and 30 June 2017 as derived from the Accountants' Report as out in Appendix I to this prospectus.

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	1,623	2,409	2,221	2,182
Prepayment for acquisition of property	—	—	—	3,629
Prepayment and deposits paid for life insurance policies	4,674	4,859	5,051	5,101
	6,297	7,268	7,272	10,912
Current assets				
Inventories	2,811	5,219	6,190	3,978
Amounts due from customer for contract work	8,331	10,147	40,756	40,627
Trade receivables	45,913	36,876	32,594	34,607
Retention monies receivables	14,469	18,168	15,231	17,192
Deposits, prepayments and other receivables	420	3,807	6,020	3,966
Amounts due from related companies	18,750	11,473	11,320	4,432
Amounts due from directors	7,173	1,604	24	—
Tax recoverable	2	822	—	—
Pledged bank deposits	3,030	3,036	18,049	3,051
Bank balances and cash	2,505	3,437	7,320	26,589
	103,404	94,589	137,504	134,442
Current liabilities				
Trade and bill payables	36,107	22,636	40,560	32,344
Amounts due to customers for contract work	7,384	7,793	1,758	228
Retention monies payables	—	395	926	1,569
Accruals and other payables	5,603	806	1,722	3,793
Amounts due to related companies	423	—	—	—
Bank borrowings	37,651	43,617	40,879	40,260
Obligations under finance leases	162	—	—	—
Tax payable	—	47	4,521	6,366
	87,330	75,294	90,366	84,560
Net current assets	16,074	19,295	47,138	49,882
Total assets less current liabilities	22,371	26,563	54,410	60,794

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Provision for long service payment	238	475	—	—
Deferred tax liability	78	89	118	118
	316	564	118	118
NET ASSETS	22,055	25,999	54,292	60,676
Capital and reserves				
Share capital	5,000	5,024	—	—
Reserves	17,055	20,975	54,292	60,676
TOTAL EQUITY	22,055	25,999	54,292	60,676

Property, plant and equipment

Our Group's property, plant and equipment consist of leasehold land and buildings, leasehold improvements, office equipment and motor vehicles. Our property, plant and equipment amounted to approximately HK$1.6 million, HK$2.4 million, HK$2.2 million and HK$2.2 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. The carrying amount of our Group's property, plant and equipment increased from approximately HK$1.6 million as at 31 March 2015 to approximately HK$2.4 million as at 31 March 2016, which was mainly attributable to the addition of leasehold improvements and office equipment net with depreciation charges.

Our Group's carrying amount of property, plant and equipment decreased slightly from approximately HK$2.4 million as at 31 March 2016 to approximately HK$2.2 million as at 31 March 2017. The decrease in balance was mainly attributable to the disposals of leasehold improvements and office equipment for the year ended 31 March 2017.

Our Group's carrying amount of property, plant and equipment remained stable at approximately HK$2.2 million as at 31 March 2017 and as at 30 June 2017.

Prepayment and deposits paid for life insurance policies

Our prepayment and deposits paid for life insurance policies represented the deposits placed for a life insurance product for our Director, Ms. Fung, which amounted to approximately HK$4.7 million, HK$4.9 million, HK$5.1 million and HK$5.1 million as at 31 March 2015, 2016 and 2017 and 30 June 2017. Our Directors are of the view that the aforesaid life insurance product, which represents a key-man insurance, could provide a favorable protection to our Group with an aim to compensate any financial loss that would arise from the death of our executive Director and facilitate our Group's business continuity. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 3.87% to 4.0% plus a premium determined by the insurance company during the tenures of the policy. A compensation, which refers to the payment arising under the insurance policy, will be paid on the death of the insured person.

Our Directors consider that key-man insurance is able to offset the costs such as recruiting a successor and losses such as a decreased ability to operate efficiently until a successor is recruited which the employer is likely to suffer in the event of the loss of a key person. Further information is set out in the section headed "Prepayment and deposits paid for life insurance policies" in Appendix I to this prospectus.

Prepayment for acquisition of property

Our prepayment for acquisition of property represented the prepayment made to an independent third party for the acquisition of a warehouse in Hong Kong, which amounted to approximately HK$3.6 million as at 30 June 2017 and nil as at 31 March 2015, 2016 and 2017. Further information is set out in the paragraph headed "35. Prepayment for acquisition of property" in Appendix I to this prospectus.

Inventories

Our Group's inventories mainly represented goods in transit shipped from Germany to Hong Kong. Our inventories amounted to approximately HK$2.8 million, HK$5.2 million, HK$6.2 million and HK$4.0 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. Considering our Group's policy in not keeping extra inventories, other than those building materials which are maintained due to expected wastage occurred during the construction process and for subsequent rectification works at later stage for the relevant projects, the level of inventories at a given report date is affected by the delivery date as requested by our customers and the balances of inventories may vary from period to period.

As at 30 November 2017, approximately HK$3.9 million, representing approximately 97.5% of our inventories balance as at 30 June 2017, were subsequently utilised.

Amounts due from (to) customers for contract work

Amounts due to customers for contract work represents our supply and installation projects in progress where our Group's progress billings exceed costs incurred plus recognised profits less recognised losses. Conversely, if costs incurred plus recognised profits less recognised losses exceed progress billings, amounts due from customers for contract work will be recognised as our Group's current assets.

The following table set forth our Group's contracts costs incurred plus recognised profit less recognised losses and our Group's progress billing as at the dates indicated.

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	199,760	187,228	193,296	191,940
Less: progress billing	(198,813)	(184,874)	(154,298)	(151,541)
	947	2,354	38,998	40,399
Analysed for reporting purpose as:				
Amounts due from customers for contract work	8,331	10,147	40,756	40,627
Amounts due to customers for contract work	(7,384)	(7,793)	(1,758)	(228)
	947	2,354	38,998	40,399

As at 31 March 2015, 2016 and 2017 and 30 June 2017, our net amounts due from customers for contract work amounted to approximately HK$0.9 million, HK$2.4 million, HK$39.0 million and HK$40.4 million respectively. The net amounts due from customers for contract work are usually affected by the volume and value of the construction works we performed close to the end of each reporting period and the timing of receiving the progress payment certificates, and thus vary from period to period.

As at 30 November 2017, approximately HK$38.6 million, representing approximately 95.1% of our amounts due from customers for contract work as at 30 June 2017, had been subsequently billed to our customers, and approximately HK$35.0 million, representing approximately 86.2% of our amounts due from customers for contract work as at 30 June 2017, had been subsequently settled.

Trade receivables

Trade receivables represent progress payment applications of works performed by us, for which payment certificates have been received by our customers before the end of the reporting period and pending payment.

The following table sets forth the composition of trade receivables as at each reporting date:

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	46,865	37,808	33,634	35,929
Less: impairment loss on trade receivables	(952)	(932)	(1,040)	(1,322)
	45,913	36,876	32,594	34,607

Our Group recorded trade receivables of approximately HK$45.9 million, HK$36.9 million, HK$32.6 million and HK$34.6 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively.

Our trade receivables decreased from approximately HK$45.9 million as at 31 March 2015 to approximately HK$36.9 million as at 31 March 2016 which was mainly attributable to the settlement made by our customers during the year ended 31 March 2016 following the completion of certain Projects, namely Project A2 and Project A9. Our trade receivables further decreased to approximately HK$32.6 million as at 31 March 2017 which was mainly attributable to the settlements made by our customers during the year ended 31 March 2017 following the completion of certain Projects, namely Project A25 and Project A33. Our trade receivables increased to approximately HK$34.6 million as at 30 June 2017 which was mainly attributable to increase in payment certificates pending settlement by our customers for the progress payment applications made by us following our works performed for certain projects, namely Project A10 and Project A15.

The following is an analysis of trade receivables by age, net of impairment loss, presented based on invoice dates.

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	21,380	21,030	23,318	20,513
31 to 60 days	11,241	6,415	4,572	8,444
61 to 90 days	11,118	3,911	2,405	2,734
Over 90 days	2,174	5,520	2,299	2,916
	45,913	36,876	32,594	34,607
Average debtors' turnover days *(Note)*	59	70	63	36

Note: Debtors' days are calculated based on the average of beginning and ending balances of trade receivables of a given year/period divided by the revenue for the corresponding year/period and multiplied by 365 days or the number of days in the period.

Our average debtors' turnover days were approximately 59 days, 70 days, 63 days and 36 days for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively, which are longer than our general credit terms. As our business are non-recurring and on a project-by-project basis, our revenue during the three years ended 31 March 2017 and for the three months ended 30 June 2017 may fluctuate subject to the size and the progress of our projects at a given time thereby affecting our trade debtors balances as at the end of each reporting period and the average debtors' turnover days during the Track Record Period. Our average debtors' turnover days increased from 59 days to 70 days, which was mainly attributable to our customers certifying certain work done for Project A21, Project A25 and Project B13 near the year ended 31 March 2016. Our average debtors' turnover days decreased from 70 days to 63 days, which remained out of our normal credit period. The reason for the high average debtors' turnover days was mainly attributable to our customers certifying certain work done for Project A5, Project A20, Project A34 and Project B5 near the year ended 31 March 2017. Our average debtors' turnover days decreased to 36 days for the three months ended 30 June 2017 which is within our normal credit period.

An analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows.

	As at 31 March			**As at 30 June**
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not past due	24,121	26,260	24,204	24,130
Less than 31 days past due	18,969	4,602	4,706	4,950
31 to 90 days past due	2,225	4,390	1,838	4,565
Past due over 90 days	598	1,624	1,846	962
	45,913	36,876	32,594	34,607

The average credit period granted to customers (other than for retention monies receivables) ranged from 30 to 60 days. The terms and conditions in relation to the release of retention money vary from contract to contract, which may be subject to practical completion, the expiry of the maintenance period or a pre-agreed time period. Our Group does not hold any collateral as security.

Included in our Group's trade receivables balances as at 31 March 2015, 2016 and 2017 and 30 June 2017 are debtors amounting to approximately HK$21.8 million, HK$10.6 million, HK$8.4 million and HK$10.5 million respectively, which are past due as at the end of the respective year end dates for which our Group has not provided for impairment loss because there has not been a significant change in credit quality and are still considered to be recoverable.

Set out below is the movement in the impairment loss of trade receivables.

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the financial year	320	952	932	1,040
Impairment loss recognised on trade receivables	632	—	108	282
Reversal of impairment losses	—	(20)	—	—
	952	932	1,040	1,322

Individually impaired trade receivables balance of approximately HK$1.0 million, HK$0.9 million, HK$1.0 million and HK$1.3 million were recorded in the impairment loss of trade receivables as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. The individually impaired receivables are recognised based on the credit history of our customers and current market conditions.

Other than the abovementioned, based on past experience, our Directors are of the opinion that no allowance for impairment is necessary in respect on the remaining past due balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

As at 30 November 2017, approximately HK$32.3 million, representing approximately 93.4% of our trade receivable balance as at 30 June 2017, had been subsequently settled.

Retention monies receivables

Under the contracts between our customers and us, our customers will usually withhold up to 10% of the value of our works done from each progress payment as retention money, subject to a maximum of approximately 5% of the total contract sum. Generally, half of the retention monies would be released to us upon or soon after certification of our final progress payment application by our customer and the remaining half would then be released to us upon the end of the maintenance period which would normally take place one to two years from the certification of our final progress payment application or the completion of the entire project by the main contractor.

Our Group recorded retention monies receivables of approximately HK$14.5 million, HK$18.2 million, HK$15.2 million and HK$17.2 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. The release of the retention monies receivables will be subject to (i) issuance of the practical completion certificate for the contract works undertaken by our Group; and (ii) the completion of all our obligations in accordance with the construction contract or the certificate to be issued by the customers.

The following table illustrates the past due and non-past due analysis of retention monies receivables as at the end of each of the reporting dates.

	As at 31 March			As at 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-past due	11,676	16,307	13,986	14,214
Past due	2,792	1,861	1,245	2,978
	14,469	18,168	15,231	17,192

Approximately HK$2.7 million, HK$1.6 million, HK$0.1 million and HK$0.6 million of retention monies receivables that were past due as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively were subsequently settled as at 30 November 2017.

As at 31 March 2015, 2016, 2017 and 30 June 2017, individually impaired retention monies receivables balances of approximately HK$0.4 million, HK$0.4 million, HK$0.6 million and HK$0.6 million are included in our retention monies receivables. The individually impaired receivables are recognised based on the credit history of our customers and current market conditions.

Other than the abovementioned, we expect all outstanding retention monies to be released within the expiry of the defect liability period or the time period pre-agreed between our Group and our customers according to the respective contracts and works done. We keep in touch with and maintain good relationships with our customers. We regularly monitor the aging of our retention monies receivables and would undertake certain recovery procedures to recover the amounts due from our customers. Specific provision for doubtful debts would be made when there is objective evidence that we shall be unable to collect the amounts due and debts will be written off when our recovery procedures are proven unsuccessful and agreements could not be made through negotiations with our customers. Based on the above, our Directors are of the opinion that no further impairment provision for the outstanding retention monies is required. As at 30 November 2017, approximately HK$1.1 million of retention monies recorded as at 30 June 2017 has been released to us.

Deposits, prepayments and other receivables

The balance mainly consists of (i) deposits which mainly represented our rental and utility deposits and the deposits paid to our subcontractors and suppliers; and (ii) the prepayment made to our suppliers and our deferred listing expenses.

The following table sets forth the composition of deposits, prepayments and other receivables as at each reporting date.

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	360	553	3,221	1,996
Prepayments	60	2,796	2,799	1,970
Other receivables	—	458	—	—
	420	3,807	6,020	3,966

As at 31 March 2015, 2016 and 2017 and 30 June 2017, the balance of deposits, prepayments and other receivables was approximately HK$0.4 million, HK$3.8 million, HK$6.0 million and HK$4.0 million respectively. Our deposits, prepayments and other receivables increased from HK$0.4 million as at 31 March 2015 to approximately HK$3.8 million as at 31 March 2016. The increase was mainly due to the increase in prepayments of approximately HK$2.7 million, which was mainly due to increase in prepayment made to our supplier. Our deposits, prepayments and other receivables increased from approximately HK$3.8 million as at 31 March 2016 to approximately HK$6.0 million as at 31 March 2017 which was mainly due to (i) the increase in deposits made to our subcontractors and suppliers; and (ii) the increase in our deferred listing expenses. Such increase was partially netted off by our decrease in prepayment made to our supplier. Our deposits, prepayments and other receivables decrease from approximately HK$6.0 million as at 31 March 2017 to approximately HK$4.0 million as at 30 June 2017 which was mainly due to (i) the decrease in deposits made to our subcontractors and suppliers; and (ii) the decrease in our deferred listing expenses mainly due to a portion of listing expenses being charged to the consolidated statements of profit or loss and other comprehensive income of our Group during the three months ended 30 June 2017.

Amounts due from related companies

As at 31 March 2015, 2016 and 2017 and 30 June 2017, our Group recorded amounts due from related companies amounting to approximately HK$18.8 million, HK$11.5 million, HK$11.3 million and HK$4.4 million respectively. Such amounts were unsecured, interest-free and repayable on demand. Please refer to the paragraph headed "Analysis of various items from the consolidated statements of financial position — Balance with related parties" in this section for further details.

Amounts due from directors

As at 31 March 2015, 2016 and 2017 and 30 June 2017, our Group recorded an amounts due from directors of approximately HK$7.2 million, HK$1.6 million, HK$24,000 and nil, respectively. The balances mainly represented Director's drawdown in the previous periods which were unsecured, interest-free and repayable on demand. As at the Latest Practicable Date, the balance has been fully settled. Please refer to the paragraph headed "Analysis of various items from the consolidated statements of financial position — Balance with related parties" in this section for further details.

Trade and bill payables

Trade and bills payables mainly represented amounts due to suppliers for the purchase of building materials and the amounts due to subcontractors for their performance on our supply and installation projects.

The following table sets forth the composition of trade and bill payables as at each reporting date.

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	23,731	16,093	24,573	18,184
Bill payables	12,376	6,543	15,987	14,160
	36,107	22,636	40,560	32,344

Our Group recorded trade and bills payables of approximately HK$36.1 million as at 31 March 2015, approximately HK$22.6 million as at 31 March 2016, approximately HK$40.6 million as at 31 March 2017 and approximately HK$32.3 million as at 30 June 2017.

As our engagement with customers are non-recurring in nature and on a project-by-project basis, our cost of sales and services incurred during each of the three years ended 31 March 2017 may fluctuate subject to the size and the progress of our projects at a given time thereby affecting our trade and bill payables balance as at the end of each reporting period. Our trade and bill payables decreased from approximately HK$36.1 million as at 31 March 2015 to approximately HK$22.6 million as at 31 March 2016. Such decrease was mainly driven by the increase in completed projects during the year ended 31 March 2016 which led to the increase in settlement of our balances with our suppliers or subcontractors. Our trade and bill payables increased from approximately HK$22.6 million as at 31 March 2016 to approximately HK$40.6 million as at 31 March 2017. Such increase was mainly due to the increment in our works performed for our ongoing projects close to the end of the relevant year. Our trade and bill payables decreased from approximately HK$40.6 million as at 31 March 2017 to approximately HK$32.3 million as at 30 June 2017 mainly due to the increase in settlement of our balances with our suppliers or subcontractors.

The following is an analysis of trade payables by age presented based on invoice dates.

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current to 30 days	17,857	10,373	19,468	10,282
31 to 90 days	3,428	4,281	4,566	7,266
90 to 180 days	2,446	1,439	539	636
	23,731	16,093	24,573	18,184
Average trade payables turnover days *(Note)*	46	43	54	31

Note: Trade payables days are calculated based on the average of beginning and ending balances of trade payable balance of a given year/period divided by the cost of sales and services for the corresponding year/period and multiplied by 365 days or the number of days in the period.

Our suppliers normally grant us credit terms up to 60 days, and our Group has financial risk management policies in place to ensure that all payables are settled with the credit timeframe.

Our average trade payables turnover days were within our normal credit period for the three years ended 31 March 2017, which were approximately 46 days, 43 days, 54 days and 31 days respectively. Our average trade payables turnover days remained relatively stable at approximately 46 days and 43 days for the two years ended 31 March 2016. Our average trade payables turnover days increased from approximately 43 days for the year ended 31 March 2016 to approximately 54 days for the year ended 31 March 2017. The increase was mainly due to our increment in our trade payables balance which was mainly due to the increment in our works performed for our ongoing projects close to the end of the relevant year. Our average trade payables turnover days decreased to approximately 31 days which was mainly due to the decrease in our trade payables balance brought forth from the increase in settlement of our creditor balance with our suppliers or subcontractors.

As at 30 November 2017, approximately HK$18.0 million of our trade payables balance as at 30 June 2017 had been subsequently settled.

Our bill payables represents bank acceptance note which are generally due within 120 days and amounted to approximately HK$12.4 million, HK$6.5 million, HK$16.0 million and HK$14.2 million as at 31 March 2015, 2016 and 31 March 2017 and 30 June 2017 respectively.

As at 30 November 2017, approximately HK$14.2 million of our bill payables balances as at 30 June 2017 has been subsequently settled.

Retention monies payables

Our subcontractors are generally required to submit progress payment applications to us on a monthly basis. We normally withhold up to 10% of each progress payment from our subcontractors as retention money, subject to a maximum of 5% of the total contract sum, prior to paying the progress payment to our subcontractors. Depending on the subcontracting arrangements, we may either release all the retention money to our subcontractors upon completion of their assigned works or release half of the retention money upon completion of their assigned works and release the remaining half upon the certification of our final progress payment application by our customers. As at 31 March 2015, 2016 and 2017 and 30 June 2017, our retention monies payables amounted to nil, approximately HK$0.4 million, HK$0.9 million and HK$1.6 million respectively.

Although our Group would withhold up to 10% of progress payments from our subcontractors as retention money, the subcontracting arrangement including the amount of retention money with each subcontractors would be reviewed by our Directors on a case-by-case basis. In determining the subcontracting arrangement with our subcontractors, our Directors will take into account the length of business relationship, reputation, financial strength and previous working performance of each of our subcontractors. As such, our retention monies payable was mainly affected by the individual subcontracting arrangements with our subcontractors which was subject to the review by our Directors. Taking into account the above factors, our Group had not withheld any retention money from some of our subcontractors during the Track Record Period.

Accruals and other payables

The balance mainly consists of (i) accruals which mainly represent the accrued expenses such as wages and other miscellaneous payable; and (ii) other payables which mainly represent the deposits received from our customers.

The following table sets forth the composition of accruals and other payables as at each reporting date.

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	1,509	701	1,033	1,423
Other payables	4,094	105	689	2,370
	5,603	806	1,722	3,793

Our accruals and other payables amounted to approximately HK$5.6 million, HK$0.8 million, HK$1.7 million and HK$3.8 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively. Our accruals and other payables decreased from approximately HK$5.6 million as at 31 March 2015 to approximately HK$0.8 million as at 31 March 2016. Such decrease was mainly due to the decrease in other payables of approximately HK$3.9 million which was mainly driven by the decrease in deposits received from our major customer upon completion of the project. Our accruals and other payables increased from approximately HK$0.8 million as at 31 March 2016 to approximately HK$ 1.7 million as at 31 March 2017. Such increase was mainly due to the increase in other payables of approximately HK$0.6 million which was driven by the increase in deposits received from our customers. Our accruals and other payables increased from approximately HK$1.7 million as at 31 March 2017 to approximately HK$3.8 million as at 30 June 2017. Such increase was mainly due to the increase in other payables of approximately HK$1.7 million which was due to the increase in deposits received from our customers.

Balances with related parties

As at 31 March 2015, 2016 and 2017 and 30 June 2017, our Group had the following balances with related parties.

	As at 31 March			As at 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from directors:				
Mr. Lo Wing Cheung (i)	6,112	1,604	17	—
Ms. Fung Pik Mei (i)	1,061	—	7	—
Amounts due from (to) related parties:				
Tristar (ii)	12,595	6,476	6,769	—
Well Treasures (Hong Kong) Limited (iii)	677	—	—	—
Sun Warm (iv)	5,478	4,997	4,551	4,432
Charter Team Limited (iv)	(414)	—	—	—
Sun Warm Engineering Company Limited (iv)	(9)	—	—	—

Notes:

(i) The amounts due from directors are unsecured, non-interest bearing and repayable on demand.

(ii) Tristar was indirectly owned by Mr. Lo and Ms. Fung, through Fortune Loy Holdings Limited and United Aim Limited. The amount is unsecured, interest-free and repayable on demand.

(iii) Well Treasures (Hong Kong) Limited was directly owned by Ms. Fung. The amount was unsecured, interest-free and repayable on demand.

(iv) Sun Warm, Charter Team Limited and Sun Warm Engineering Company Limited were directly owned by Mr. Lo and Ms. Fung. The amount is unsecured, interest-free and repayable on demand.

Related parties transactions

During the three years ended 31 March 2017 and the three months ended 30 June 2017, our Group had the following transactions with related parties.

	For the year ended 31 March			For the three months ended 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade nature				
Sale of goods to:				
Tristar	8,887	487	—	—
Non-trade nature				
Mortgage loan interests reimbursed from:				
Sun Warm	193	176	159	37
Staff cost reimbursed to:				
Tristar	4,686	4,731	2,075	—
Rental expenses paid to:				
Sun Warm	456	768	768	192

Trade nature transaction with Tristar Building Materials Company arose from two supply of interior wall-fill materials projects, which was undertaken by our Group using Tristar as the contracting party with the work carried out by us. Based on our Directors' understanding, the reason for this arrangement was that the relevant customers have not updated their approved list of suppliers to reflect the transferred business operations of Tristar to Kwan Tai HK. As of the Latest Practicable Date, the above arrangement has been discontinued and Tristar has ceased in carrying out any business and therefore it has not been included in our Group. For more details on the arrangement, please refer to the paragraph headed "History, Reorganisation and corporate structure — Interests of the Controlling Shareholders in other business" of this prospectus.

More details of our Group's related parties transactions including connected transactions which will be continued after the Listing, are set out in the paragraph headed "Connected transactions" of this prospectus and paragraph headed "Notes to the historical financial information — 37. Related Party Transactions" in Appendix I to this prospectus. Our directors confirm that these related party transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Party, which are considered fair, reasonable and in the interest of our Group's Shareholders as a whole and would not distort our Group's track record results of operations or make its historical results not reflective of future performance.

Reserves

Our Group's reserves mainly represented retained earnings. Our retained earnings amounted to approximately HK$17.1 million, HK$21.0 million, HK$49.3 million and HK$55.7 million as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively.

Prior to the Track Record Period, our Group recorded accumulated losses of approximately HK$7.3 million as at 1 April 2014. Such accumulated losses were mainly due to variation orders undertaken by us for three of our supply and installation of building materials projects completed before the Track Record Period, including one interior wall partitioning supply and installation project and two timber flooring products supply and installation projects, in which we were required to perform additional work orders due to changes to the initial design or specifications as per the request from the relevant customers and end customers (i.e. the property owners). Given the tight schedule of the abovementioned projects, we had instructed our subcontractors to commence works in relation to the variation orders before we were able to negotiate the relevant fees with our customers. Such customers however later disagreed with our proposed fees relating to those variation orders and the fees eventually received by us and recognised as revenue were less than the related additional costs incurred for those additional work. In addition to the above, the following reasons also attributed to the losses incurred for the abovementioned projects: (i) low budgeted profit margins due to our Group's competitive pricing strategy to gain market share, for example, for one of our Group's earlier residential interior wall partitioning supply and installation project; (ii) change in requirement of product quality from the end customer (i.e. the property owner) which was a different standard than the one specified in the original contract; and (iii) disagreement with our customer on the details of the variation order. Given the above, gross losses of approximately HK$13.4 million were incurred during the year ended 31 March 2014 in performing the variation work orders for those projects and net losses of approximately HK$9.5 million were recorded for those projects.

During the Track Record Period, where variation orders undertaken by us or fluctuation in material prices were noted, we were generally able to pass on the additional costs or increment in material prices to our customers. In view of the above, our Group managed to turnaround the previous accumulated losses and generated profits of approximately HK$24.3 million, HK$18.9 million, HK$28.3 million and HK$6.4 million for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively.

Our Group's reserves increased from accumulated losses of approximately HK$7.3 million as at 1 April 2014 to a retained earnings of approximately HK$17.1 million as at 31 March 2015, which was mainly due to our profitable operations. Our Group's retained earnings further increased to approximately HK$21.0 million as at 31 March 2016, which was mainly due to our profitable operations and partially offset by the distribution of dividends during the year ended 31 March 2016. Our Group's retained earnings further increased to approximately HK$49.3 million primarily due to our business profitability. Our Group's retained earnings further increased to approximately HK$55.7 million primarily due to the profitability of our business.

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. Future declaration of dividends will be subject to Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant.

An interim dividend of HK$15.0 million was declared by our subsidiary to its shareholders during the year ended 31 March 2016. The amount distributable to our Shareholders was settled by our amounts due from directors' balance. No interim dividend was declared during the year ended 31 March 2017.

After the completion of the Listing, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Directors and approval of our Shareholders. Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

IMPACT OF LISTING EXPENSES

The total listing expenses in connection with the Share Offer is estimated to be approximately HK$29.9 million, based on the mid-point of the offer price range stated in this prospectus and assuming the Over-allotment Option is not exercised, of which approximately HK$14.3 million is directly attributable to the issue of the Share Offer and to be accounted for as a deduction from equity, HK$1.9 million and HK$2.9 million were charged to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ended 31 March 2017 and the three months ended 30 June 2017 respectively and approximately HK$10.8 million is to be charged to the consolidated statements of profit or loss and other comprehensive income of our Group for the year ending 31 March 2018.

KEY FINANCIAL RATIOS

	For the year ended 31 March			For the three months ended 30 June
	2015	2016	2017	2017
Current ratio[(1)]	1.2 times	1.3 times	1.5 times	1.6 times
Gearing ratio[(2)]	170.7%	167.8%	75.3%	66.4%
Debt to equity ratio[(3)]	168.6%	154.5%	61.8%	22.5%
Interest coverage[(4)]	10.3 times	10.2 times	14.7 times	14.3 times
Adjusted return on total assets[(5)]	22.2%	18.6%	20.8%	N/A
Adjusted return on equity[(6)]	110.3%	72.8%	55.6%	N/A

Notes:

(1) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

(2) Gearing ratio is calculated based on the total debts (including all interest-bearing borrowings and loans) divided by the total equity as at the respective year/period end and multiplied by 100%.

(3) Debt to equity ratio is calculated by the net debt (all interest-bearing borrowings and loans, net of cash and cash equivalents) divided by the total equity as at the respective year/period end multiplied by 100%.

(4) Interest coverage ratio is calculated by the profit before interest and tax divided by the interest expenses for the respective year/period end.

(5) Adjusted return on total assets is calculated by the adjusted net profit for the year (excluding listing expenses), divided by the total assets as at the respective year end and multiplied by 100%. *(Note 7)*

(6) Adjusted return on equity is calculated by adjusted net profit for the year (excluding listing expenses), divided by total equity as at the respective year end and multiplied by 100%. *(Note 7)*

(7) Adjusted net profit for the year represents our profit for the year excluding listing expenses. Adjusted net profit is not a measure of performance under HKFRSs and accounting principles generally accepted in Hong Kong. The use of these non-HKFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

Current ratio

Our current ratio was approximately 1.2 times, 1.3 times, 1.5 times and 1.6 times as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively.

The increase in current ratio as at 31 March 2016 as compared to as at 31 March 2015 was mainly attributable to the combined effect of (i) the decrease in trade and bill payables; (ii) the decrease in accruals and other payables; (iii) the decrease in trade receivables; and (iv) the increase in bank borrowings.

The increase in current ratio as at 31 March 2017 as compared to as at 31 March 2016 was mainly attributable to the combined effect of (i) the increase in amounts due from customers for contract work; (ii) the increase in pledged bank deposits; (iii) the increase in trade and bill payables; and (iv) the increase in tax payable.

The increase in current ratio as at 30 June 2017 as compared to as at 31 March 2017 was mainly attributable to the combined effect of (i) the increase in bank balances and cash; (ii) decrease in trade and bill payables; (iii) decrease in amounts due from related companies; and (iv) the decrease in pledged bank deposits.

Our Group's current ratio has been maintained at a healthy level during the Track Record Period. Please refer to the paragraph "Analysis of various items from the consolidated statements of financial position" in this section for more details on the reasons of the fluctuations on the various items from the consolidated statements of financial position.

Gearing ratio

Our gearing ratio was approximately 170.7%, 167.8%, 75.3% and 66.4% as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively.

The decrease in our gearing ratio from approximately 170.7% as at 31 March 2015 to approximately 167.8% as at 31 March 2016 was primarily due to the increase in our total equity due to our profitable operations which is offset with the increase in our bank borrowings.

The decrease in our gearing ratio from approximately 167.8% as at 31 March 2016 to approximately 75.3% as at 31 March 2017 was primarily due to the combined effect of (i) the increase in our total equity due to our profitable operations; and (ii) the decrease in our bank borrowings.

The decrease in our gearing ratio from approximately 75.3% as at 31 March 2017 to approximately 66.4% as at 30 June 2017 was primarily due to the increase in our total equity due to our profitable operations.

Debt to equity ratio

Our debt to equity ratio was approximately 168.6%, 154.5%, 61.8% and 22.5% as at 31 March 2015, 2016 and 2017 and 30 June 2017 respectively.

The decrease in our debt to equity ratio from approximately 168.6% as at 31 March 2015 to approximately 154.5% as at 31 March 2016 was primarily due to the combined effect of (i) the increase in our total equity due to our profitable operations; (ii) the increase in our bank borrowings; and (iii) the increase in our bank balances and cash.

The decrease in debt to equity ratio from approximately 154.5% as at 31 March 2016 to approximately 61.8% as at 31 March 2017 was primarily due to the combined effect of (i) the increase in our total equity due to our profitable operations; (ii) the decrease in our bank borrowings; and (iii) the increase in our bank balances and cash.

The decrease in debt to equity ratio from approximately 61.8% as at 31 March 2017 to approximately 22.5% as at 30 June 2017 was primarily due to the combined effect of (i) the increase in our total equity due to our profitable operations; and (ii) the increase in our bank balances and cash.

Interest coverage

Our interest coverage was approximately 10.3 times, 10.2 times, 14.7 times and 14.3 times for the three years ended 31 March 2017 and the three months ended 30 June 2017 respectively. Our interest coverage remained stable for the year ended 31 March 2015 and 2016. Our interest coverage increased from 10.2 times for the year ended 31 March 2016 to 14.7 times for the year ended 31 March 2017 primarily due to the fact that our profit before interest and tax increased more than our interest expenses in terms of percentage. Our interest coverage remained stable at approximately 14.7 times and 14.3 times for the year ended 31 March 2017 and for the three months ended 30 June 2017 respectively. Further details of our financial performance are set out in the paragraph headed "Period-to-period comparison of results of operations" in this section.

Return on total assets

Our return on total assets was approximately 22.2%, 18.6% and 20.8% for the three years ended 31 March 2017 respectively.

The decrease of our Group's return on total assets from approximately 22.2% for the year ended 31 March 2015 to approximately 18.6% for the year ended 31 March 2016 was primarily due to the decrease of our profit during the year ended 31 March 2016.

The increase of our Group's return on total asset from approximately 18.6% for the year ended 31 March 2016 to approximately 20.8% for the year ended 31 March 2017 was primarily due to the combined effect of (i) the increase in our profit during the year ended 31 March 2017; and (ii) the increase of our total assets as at 31 March 2017 as compared to 31 March 2016.

Further details of our overall financial performance and analysis on our various assets items are set out in the paragraphs headed "Period-to-period comparison of results of operations" and "Analysis of various items from the consolidated statements of financial position" in this section.

Return on equity

Our return on equity was approximately 110.3%, 72.8% and 55.6% for the three years ended 31 March 2017 respectively. In line with the return on total assets, the decrease in our return on equity from approximately 110.3% for the year ended 31 March 2015 to approximately 72.8% for the year ended 31 March 2016 was mainly due to the fact that our net profit decreased for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

The decrease of our Group's return on equity from approximately 72.8% for the year ended 31 March 2016 to approximately 55.6% for the year ended 31 March 2017 was primarily due to the fact that our net profit increased less than our total equity in terms of percentage. Further details of our overall financial performance are set out in the paragraph headed "Period-to-period comparison of results of operations" in this section.

FINANCIAL RISKS MANAGEMENT

Our Group is exposed to currency risk, interest rate risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in the paragraph headed "Notes to the historical financial information — 7. Financial Instruments — Financial risk management objectives and policies" in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are incorporated as BVI business companies under the BVI Business Companies Act 2004 and are exempted from payment of income tax of BVI.

Our profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Provision for Hong Kong profits tax has been calculated at the applicable rates of 16.5% for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, on the estimated assessable profits of our companies operating in Hong Kong.

Our profits arising in or derived from Macau are subject to Macau complementary income tax. Provision for Macau complementary income tax has been calculated at the applicable rates of 12% for the three years ended 31 March 2017 and the three months ended 30 June 2016 and 2017, on the estimated assessable profits of our companies operating in Macau.

Our Group prepared and filed profits tax returns for the years of assessment 2013/14 and 2014/15 with reference to statutory financial statements of our Group's subsidiaries for the two years ended 31 March 2014 and 31 March 2015 respectively, each audited by our Group's predecessor auditor. The Inland Revenue Department (the "**IRD**") accepted the said tax returns and computations and raised assessments accordingly. All tax liabilities under the said assessments had been settled by our Group in full.

Subsequently, during the process of preparing our Group's financial information for the Track Record Period, our management identified several adjustments in the statutory financial statements of a subsidiary for the years prior to and including the year ended 31 March 2015. The said adjustments were mainly related to the recognition of contract revenue and corresponding costs.

The reason for making audit adjustments to contract revenues and the relevant costs of sales recognised during the three years ended 31 March 2015 was to align them with the accounting policy on revenue recognition by reference to the stage of completion of contracts for the relevant years. The said adjustments resulted in decreases in our Group's assessable profits by the amounts of approximately HK$0.9 million and HK$23.8 million for the two years ended 31 March 2013 and 2014 respectively, and an increase in our Group's assessable profit by the amount of approximately HK$12.3 million for the year ended 31 March 2015. Based on the said adjustments, corresponding impact on tax payable by our Group decreased by approximately HK$0.1 million and HK$3.9 million for the two years ended 31 March 2013 and 2014 respectively, and increased by approximately HK$2.0 million for the year ended 31 March 2015. Although our Group did not re-file tax returns for the affected assessment years, all relevant quantifications had been submitted to the IRD together with our Group's tax return filed for the 2015/2016 assessment year.

On 5 December 2016, our Group filed tax returns with the IRD for the year of assessment 2015/16, approximately three weeks past the due date of 15 November 2016, because additional time was required to finalise our audited financial statements. Due to our late filing, an estimated tax assessment in the sum of approximately HK$3.4 million was already issued by the IRD on 6 December 2016. In light of the adjustments mentioned above, on 14 December 2016, our Group lodged an objection to the estimated tax assessment together with an application to holdover the tax payment on the ground that the assessment was excessive. On 17 January 2017, the IRD granted a holdover of the tax demand of approximately HK$3.4 million unconditionally. As at the Latest Practicable Date, the final tax assessment for the year of assessment 2015/16 has not been issued by the IRD.

Full provision has been made on the estimated tax assessment of HK$3.4 million issued by the IRD. In the event its tax objection is rejected by the IRD, we estimated that the final tax charge will be in the sum of approximately HK$3.5 million (calculated based on the applicable rate of 16.5% and our Group's assessable profits arising in Hong Kong for the financial year ended 31 March 2016). There is no provision for the difference between the said tax amounts payable of approximately HK$0.1 million, because our Directors are of the view that the amount is immaterial.

For the income tax expense of our Group during the Track Record Period, please refer to Note 12 of Appendix I to this prospectus.

PROPERTY INTERESTS AND VALUATION OF PROPERTY

For the purpose of the listing of the Shares on the Stock Exchange, our properties were valued as at 31 October 2017 by BMI Appraisals Limited, an independent professional property valuer. Details of the valuations are summarised in Appendix III to this prospectus. Except for the property interests in Appendix III to this prospectus, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

Disclosure of the reconciliation of the aggregate amount of carrying values of our Group's property interests and the valuations of such property interests as required under Rule 5.07 of the Listing Rules are set out below.

	HK$'000
Carrying value of property interest as of 30 June 2017	1,154
Movements for the period from 1 July 2017 to 31 October 2017 *(Note)*	22,010
Carrying value of property interest as of 31 October 2017	23,164
Revaluation surplus	9,536
Capital value of properties as of 31 October 2017 as set forth in the property valuation report in Appendix III	32,700

Note: The movements for the period from 1 July 2017 to 31 October 2017 includes the addition of property interest from an Independent Third Party and its directly attributable cost for the acquisition and the depreciation charges for the period from 30 June 2017 for our Group's property interests.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, saved as disclosed in the paragraph headed "Summary — Material adverse change", as of the date of this prospectus, there has been no material adverse change in the financial or trading position or the prospects of our Group since 30 June 2017, being the date of our Company's latest audited financial statements as set out in Appendix I to this prospectus, up to the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

	Audited consolidated net tangible assets of our Group attributable to shareholders of our Company as at 30 June 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to shareholders of our Company	Unaudited pro forma adjusted net tangible assets of our Group attributable to the owners of our Company per share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$0.52 per Share	60,676	79,512	140,188	0.18
Based on an Offer Price of HK$0.68 per Share	60,676	109,567	170,243	0.21

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 June 2017 is extracted from the Accountants' Report of our Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 30 June 2017 of approximately HK$60,676,000.

(2) The estimated net proceeds from the Share Offer are based on 200,000,000 new shares at the Offer Price of HK$0.52 and HK$0.68 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$4.8 million which have been accounted for prior to 30 June 2017) payable by our Company and takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme as described in the section headed "Statutory and general information — D. Share Option Scheme" of this prospectus or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets of our Group attributable to owners of our Company per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 800,000,000 Shares were in issued assuming that the Share Offer has been completed on 30 June 2017 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme as described in the section headed "Statutory and general information — D. Share Option Scheme" of this prospectus or any Shares which may be allotted and issued or repurchased by our Company pursuant to general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 30 June 2017, and in particular, the unaudited pro forma adjusted consolidated net tangible assets of our Group has not been adjusted to give effect to the acquisition of a new office (the "Acquisition") as mentioned in Note 40 of Appendix I, "Events after the end of the reporting period", which was completed in August 2017. The property is recognised using cost model. In the opinion of our Directors, the acquisition would result in no effect in our Group's net tangible asset value attributable to shareholders of our Company before proposed Listing.

FUTURE PLANS

For a detailed description of our future plans, please refer to the paragraph headed "Business — Business strategies and future plans" of this prospectus.

USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen our capital base and will provide funding for achieving our business strategies and carrying out our future plans as set out in the paragraph headed "Business — Business strategies and future plans" of this prospectus. It is therefore beneficial to our Group to strengthen our capital base through raising funds under the Share Offer so that our Group will be able to increase our operation capacity, which in turn allows us to obtain more projects after Listing.

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deducting the underwriting fees and commissions and other estimated expenses in connection with the Share Offer.

	Assuming the Over-allotment Option is not exercised	**Assuming the Over-allotment Option is exercised in full**
If the Offer Price is HK$0.60 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK$90.1 million	Approximately HK$106.7 million
If the Offer Price is HK$0.68 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK$105.6 million	Approximately HK$124.4 million
If the Offer Price is HK$0.52 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK$74.7 million	Approximately HK$88.9 million

We intend to apply the net proceeds to be raised from the Share Offer, after deducting related underwriting fees and commissions and estimated expenses in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all and an Offer Price of HK$0.60 per Offer Share, being the mid-point of the Offer Price range, of approximately HK$90.1 million as follows:

1. approximately HK$28.0 million (including stamp duty, agency cost and legal and other administrative cost of approximately HK$2.5 million in total), or approximately 31.1%, of the net proceeds for acquiring a property as a warehouse, workshop and showroom to enhance our operation capacity to cope with the expected growing demand in the building materials industry. Regarding building materials ordered from overseas suppliers, in particular the gypsum block products, our Directors note that delivery can sometimes take over two months from the overseas suppliers to the customers' sites. With a view to strengthen our Group's operation flexibility and capacity to meet any *ad hoc* and/or urgent demands from customers,

our Group has considered to acquire a property which will allow us to keep certain amount of building materials ordered from overseas and keep them as a buffer to meet *ad hoc* and/or urgent needs from customers. During the year ended 31 March 2017, our Group had received one *ad hoc* order for gypsum block products which amounted to approximately HK$1.2 million mainly for a public hospital project. In order to fulfill such order, our Group had to obtain gypsum block products from one of our customer, being Paul Y. Engineering Group Limited. Save for the above, our Group had not received any other *ad hoc* and/or urgent orders during the Track Record Period. Further details regarding the above order have been disclosed in the paragraph headed "Business — Customers" of this prospectus. Given the above, our Directors are of the view that it would be meaningful to acquire a property which will allow us to keep certain amount of building materials to cater for such *ad hoc* and/or urgent orders in the future, in particular given that most of the floor area at the Chai Wan Property had been utilised as at the Latest Practicable Date. Furthermore, our Directors confirm that during the Track Record Period we had not declined any orders from customers due to inability to service such orders in a timely manner.

According to the Ipsos Report, it is an industry norm for players in the building construction wall fill supply industry to hold inventories in Hong Kong to meet *ad hoc* and/or urgent orders from customers. Additional stock may be requested from customers to cater for adjustments made on blueprints and project schedule in addition to remedial works required, of which are considered not uncommon among construction projects in Hong Kong. *Ad hoc* and/or urgent orders normally consist of remedial works and/or adjustments of blueprints, which can lead to changes on the design and the volume of building materials required. In addition, changes of project schedule (e.g. project delays) may alter the scheduled time for building materials. Given that shipment of gypsum blocks from production countries to Hong Kong could in general take up to three months, local suppliers could minimise such constraint of delivery lead time by holding certain level of inventory to enhance their flexibility in meeting such *ad hoc* and/or urgent orders from customers, and hence, secure customer satisfaction for better chances of recurring business.

Furthermore, with a view to expand our customer base, our Directors consider that the new property may be used as a warehouse to serve customers such as fitting-out and alteration and additions companies which usually place orders for a relatively lower quantity of building materials at a shorter timeframe. Accordingly, our Directors are of the view that it would be meaningful to maintain a certain level of gypsum block products and timber flooring products to meet the demand from such customers. Since 1 June 2017 and up to 30 November 2017, we have been engaged by ten fitting-out and alteration and additions companies for both supply and installation and supply only projects with aggregate contract amount of approximately HK$0.8 million. In addition to the above, our Directors have also received requests to provide quotations from more than 30 fitting-out and alteration and additions companies for both our gypsum block products and timber flooring products.

In addition, part of the property can also be decorated as a showroom for new products given our Group's plan to expand its product types, such as wooden doors and other woodwork products. Notwithstanding our acquisition of the Quarry Bay Property in August 2017, our Directors confirm that we will not renew the lease of the Unit 801 after the expiry of the lease term on 31 July 2018, and the Quarry Bay Property will replace the function of the Unit

801 and will be mainly used for administrative purposes to cope with our business expansion, and will not be used as showroom and storage. Regarding the Chai Wan Property, it is mainly used for maintaining extra timber flooring products for our supply and installation projects, and most of its floor area had been utilised as at the Latest Practicable Date. Due to the dimension and bulkiness of our gypsum block products, our Directors consider that it is not feasible to maintain extra gypsum block products at the Chai Wan Property. Accordingly, our Directors consider that acquiring another property for showroom and storage is necessary. Regarding the usage of the property, it is expected that (i) approximately 30.0% of the floor area will be used as storage for building materials; (ii) approximately 35.0% of the floor area will be used as a workshop for performing final processes for our wooden doors and woodwork products, of which we had been awarded with one private residential project with contract amount of approximately HK$6.7 million (''Project C7'') and obtained letters of intent for one hospitality project and two international school projects with total contract amount of approximately HK$16.7 million as at 30 November 2017; and (iii) approximately 35.0% of the floor area will be decorated as showroom for our new products.

To illustrate the benefit of purchasing, instead of leasing, a property, a comparison of the estimated rental costs (which can be referenced to our current leased property from Sun Warm at Unit 806, 8/F Eastern Centre, No. 1065, King's Road, Quarry Bay, Hong Kong) together with the relevant estimated agency and fitting out costs for renewal of lease agreement and/or relocation and the estimated depreciation charges after the acquisition (which is determined in accordance with our depreciation policy by depreciating over its estimated useful life of 30 years on a straight-line basis) is illustrated below. For simplicity, the first ten year period is selected for illustrative purpose and is set out below:

	Year 1 and Year 2	Year 3 and Year 4	Year 5 and Year 6	Year 7 and Year 8	Year 9 and Year 10	Total cost from Year 1 to Year 10
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(a) Purchase a property						
— Estimated depreciation charges *(Note 1)*	1,864	1,864	1,864	1,864	1,864	9,320
(b) Lease a property						
— Estimated rental costs *(Note 2)*	1,536	1,613	1,693	1,778	1,867	8,487
— Estimated agency and fitting out costs for renewal of lease agreement and/or relocation *(Note 3)*	464	467	471	474	478	2,354
	2,000	2,080	2,164	2,252	2,345	10,841

Notes:

(1) The estimated depreciation charges are determined in accordance with our depreciation policy by depreciating over the property's estimated useful life of 30 years on a straight-line basis. The relevant stamp duty, agency cost and legal and other administrative cost, which are classified as directly attributable cost for the acquisition, have been included in the cost of the property, and will be depreciated over the useful life of the property in accordance with HKAS 16;

(2) The estimated rental costs can be referenced to our current leased property from Sun Warm at Unit 806, 8/F Eastern Centre, No. 1065, King's Road, Quarry Bay, Hong Kong, and are expected to increase 5% every two years due to renewal of lease agreement or relocation; and

(3) The estimated agency and fitting out costs are expected to be incurred every two years due to renewal of lease agreement and/or relocation. The estimated agency cost is expected to be equivalent to one-month rental expense and the fitting out cost is expected to be approximately HK$0.4 million.

Based on the above comparison, the estimated depreciation charges of the property are lower than the estimated costs of leasing a property. Hence, it is more cost effective for our Group to purchase rather than to lease the property. Furthermore, our Directors believe that purchasing a property can help mitigate the risk of market fluctuation of rental costs and the risk of termination of lease arrangement by the landlord, which in turn would help lower our operation costs and enhance our operational efficiency. In addition, our Directors also believe that acquiring a property can strengthen our asset base which can help obtain more preferential terms from banks for financing arrangements for our operation, if needed. Our Directors intend to acquire a unit in an industrial building which is located in the Eastern District on Hong Kong Island as our warehouse, workshop and showroom. As at 15 December 2017, our Directors have preliminarily identified six units in four industrial buildings which are located in Quarry Bay and Chai Wan. The quoted price of each of the abovementioned unit ranges from approximately HK$12.0 million to HK$22.7 million, and the gross area of each of the abovementioned unit ranges from 2,636 square feet to 4,850 square feet;

2. approximately HK$26.0 million, or approximately 28.8%, of the net proceeds for repayment of our outstanding bank borrowings, which are repayable on demand or within one year, to improve our financial position, gearing and liquidity. Details of our borrowings are set forth below;

	Outstanding amounts as at 31 October 2017	**Annual effective interest rate per annum**	**Usage**
Bank borrowings which are repayable on demand or within one year	HK$36.5 million	2.00% to 6.25%	Financing our general working capital

3. approximately HK$13.1 million, or approximately 14.5%, of the net proceeds for further expanding our Group's capacity to undertake more projects, of which (i) approximately HK$8.1 million, or approximately 9.0%, of the net proceeds will be utilised to finance part of the upfront costs to material suppliers of a public sector project awarded to us with a total contract amount of approximately HK$69.9 million, in which a public facility will be built in Tsim Sha Tsui; and (ii) approximately HK$5.0 million, or approximately 5.5%, of the net proceeds will be utilised for further promotion of our woodwork products in the market, such as organising marketing activities and conducting product tests for our woodwork products;

4. approximately HK$6.9 million, or approximately 7.6%, of the net proceeds for further expanding and strengthening our Group's manpower by (i) recruiting ten additional full-time staff with relevant industry experiences ranging from five to ten years, relevant academic background and professional qualifications, including two project managers, two quantity surveyors, two procurement staff and four sales and marketing staff; and (ii) providing additional professional training to our staff. Regarding the newly hired project managers, it is expected that one will be assigned to a public facilities project in Tsim Sha Tsui with a total contract amount of approximately HK$69.9 million and the other one will be assigned to future projects covering our timber flooring products, gypsum block products, wooden doors and other woodwork products.

   The following table sets out the expected deployment of our newly hired staff:

	Number of staff to be employed		
Position	**For the year ending 31 March 2018**	**For the six months ending 30 September 2018**	**Total**
(a) For newly awarded/ existing projects			
— Project manager	1	—	1
— Quantity surveyor	1	—	1
— Procurement officer	1	—	1
— Sales and marketing staff	—	—	—
	3	—	3
(b) For projects to be tendered by us			
— Project manager	—	1	1
— Quantity surveyor	—	1	1
— Procurement officer	—	1	1
— Sales and marketing staff	2	2	4
	2	5	7

Set out below are the qualifications and years of relevant industry experience required for the abovementioned positions which we intend to hire:

Position	Qualifications	Years of relevant industry experience
Project manager	— Degree in building studies, building surveying, construction, architecture or equivalent	10 years or above
Quantity surveyors	— Holder of Degree/Associate Degree/Higher Diploma in quantity surveying or related disciplines	10 years or above
	— Member of the Hong Kong Institute of Surveyors or Royal Institution of Chartered Surveyors	
Procurement staff	— Degree in supply chain management, business administration or other related discipline	8 years or above
Sales and marketing staff	— Degree in marketing, business administration or other related discipline (for manager grade)	10 years or above
	— Holder of Degree/Diploma in marketing, business administration or other related discipline (for coordinator or officer grade)	5 years or above

5. approximately HK$4.8 million, or approximately 5.3%, of the net proceeds for refurbishment of our offices;

6. approximately HK$2.6 million, or approximately 2.9%, of the net proceeds for upgrading our information technology and project management systems; and

7. approximately HK$8.7 million, or approximately 9.8%, of the net proceeds for general working capital of our Group.

If the Offer Price is set at either the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase by approximately HK$15.5 million or decrease by approximately HK$15.4 million, the allocation of which will be used in the same proportions as set out above.

If the Over-allotment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK$16.6 million, assuming an Offer Price of HK$0.60 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata to the above mentioned purposes. If the Over-allotment Option is exercised at the higher or lower end of the Offer Price range stated in this prospectus, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro rata basis.

To the extent that the net proceeds of the Share Offer which we will receive are not immediately applied for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Share Offer as set out above.

PUBLIC OFFER UNDERWRITERS

Ample Orient Capital Limited
Wealth Link Securities Limited
AFG Securities Limited
Aristo Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 20,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. Subject to, among other matters, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and any shares which may fall to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Shares Option Scheme), the Offer Price having been determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or prior to Monday, 8 January 2018 but in any event not later than Monday, 15 January 2018, the Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, our Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, our Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) may in its sole and absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if:

(i) there shall develop, occur, exist or come into effect:

  (a) any change or prospective change (whether or not permanent) in the business or in the business or in the earnings, operations, financial or trading position or prospects of our Group; or

(b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or is/are likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, Macau, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the "**Relevant Jurisdictions**"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) any new laws or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in the Shares; or

(f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

(g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

(h) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market or the Nasdaq National Market, or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority or (ii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority) or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, under any laws in or affecting any of the Relevant Jurisdictions; or

(j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, drought, flooding, severe snow or hail storms, flooding, explosion, earthquake, hurricanes, tornadoes, volcanic eruption, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, radiation or chemical contaminations, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

(k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed "Risk factors" in this prospectus; or

(l) any change in the system under which the value of the Hong Kong dollars is linked to that of the U.S. dollars or a material devaluation of Hong Kong dollars against any foreign currency; or

(m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or

(o) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the additional Shares which may be issued pursuant to the Over-allotment Option) pursuant to the terms of the Share Offer for whatever reason; or

(p) non-compliance of any statement or disclosure of this prospectus or Application Forms or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or

(q) other than with the prior approval of the Sole Global Coordinator (for itself and on behalf of other Public Offer Underwriters), the issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(r) an order is made or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or

(s) any loss or damage sustained by any member of our Group; or

(t) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

(u) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from being a director or from taking part in the management of a company; or

(v) the chairman or president of our Company vacating his office; or

(w) the commencement by any governmental, regulatory, political or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory, political or judicial body or organisation that it intends to take any such action; or

(x) Our Company withdraws any of this prospectus or the Application Forms (and/or any other documents used in connection with the contemplated subscription of the Offer Shares); or

(y) any person (other than the Sponsor, the Sole Global Coordinator and any of the Public Offer Underwriters and their legal advisers) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Documents (as defined in the Public Offer Underwriting Agreement), or to the issue of any such documents; or

(z) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which, whether individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or

(b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

(ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:

(a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(b) any statement contained in this prospectus or the Application Forms, the formal notice or any announcement issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus, the Application Forms, the formal notice or any announcements issued by our Company in respect of the Public Offer, the Placing and/or the Share Offer were to be issued at that time, constitute a material omission therefrom as determined by the Sole Global Coordinator (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Public Offer, the Placing and/or the Share Offer (including any supplemental or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters that our Company shall, and each of our Controlling Shareholders have undertaken to the Sponsor, the Sole Global Coordinator and the Public Offer Underwriters to procure our Company, among others, that:

(a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public

Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-month Period**");

(b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

(c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**") do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); or

(d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or any of the acts set out in clause (c) after the expiry of the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Sole Global Coordinator, the Public Offer Underwriters and our Company, among others, that:

(a) he or she or it shall not, without the prior written consent (which consent shall not be unreasonably withheld) of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or her or its associates (as defined in the Listing Rules) or companies controlled by him or her or it or any nominee or trustee holding in trust for him or her or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or she or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or she or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor, the Sole Global Coordinator, Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or she or it shall:

(a) if and when he or she or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or her or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he or she or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or her or it will be disposed of, immediately inform our Company, the Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Over-allotment Option or unless in compliance with the requirements of the Listing Rules, he or she or it shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of his or her or its shareholding in our Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he or she or it is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be our Controlling Shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to us and the Stock Exchange that he or she or it will, within a period of commencing on the date by reference to which disclosure of his or her or its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he or she or it or the relevant registered holders receive indication, either verbal or written, from any pledgee or chargee of any of the pledged or charges Shares or other securities of our Company pledged or charged that any of such securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 180,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to, among other things, the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the section headed "Lock-up undertakings pursuant to the Public Offer Underwriting Agreement" above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Sole Global Coordinator or (for itself and on behalf of the Placing Underwriters), at its sole and absolute discretion, at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover over-allocations, if any, in the Placing. Please refer to the paragraph headed "Structure and conditions of the Share Offer — Over-allotment Option" for more information.

Commission and expenses

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive underwriting commissions of 3.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Public 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.

Based on the Offer Price of HK$0.60 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer are estimated to amount to approximately HK$29.9 million in total (assuming the Over-allotment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Sole Global Coordinator and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Commission and expenses" above.

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

As at the Latest Practicable Date and save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 200,000,000 Offer Shares (subject to the Over-allotment Option) will be made available under the Share Offer, of which:

(i) 180,000,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with professional, institutional and other investors under the Placing; and

(ii) 20,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" of this prospectus.

Investors may apply for Offers Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 180,000,000 Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus.

The Public Offer

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK$0.68 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 10,000,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: the Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and

- Pool B: the Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 50% of the 20,000,000 Shares initially comprised in the Public Offer (i.e. 10,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

(a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

(b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

(c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Placing 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 Sole Global Coordinator.

OVER-ALLOTMENT OPTION

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 3 February 2018, being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

The Sole Global Coordinator may, at its option, also cover such over-allocations by purchasing the Offer Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STOCK BORROWING AGREEMENT

In order to facilitate settlement of over-allocations in connection with the Placing, the Stabilising Manager may enter into the Stock Borrowing Agreement with Helios. If the Stock Borrowing Agreement is entered into and if requested by the Stabilising Manager, Helios will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 30,000,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

If such stock borrowing arrangement with Helios is entered into, it will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Helios or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Helios by the Stabilising Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before Monday, 8 January 2018.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$0.68 per Offer Share and is expected to be not less than HK$0.52 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, may extend or reduce the indicative Offer Price range stated in this prospectus and/or the number of the 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 a case, our Company will, as soon as practicable following the decision to make such extension or reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be posted on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.kwantaieng.com** notices of the extension or reduction of the indicative Offer Price range and/or the number of the Offer Shares. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range and/or the number of the Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.kwantaieng.com** of an extension or reduction in the indicative Offer Price range and/or the number of the Offer Shares as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, 15 January 2018, the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Tuesday, 16 January 2018.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$0.68 per Offer Share and is expected to be not less than HK$0.52 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.68 per Offer Share plus 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$5,494.82 per board lot of 8,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.68 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant upon the exercise of the Over-allotment option and any Shares which may be granted under the Share Option Scheme) (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Underwriting Agreements) not being terminated in accordance with the terms of these agreements or otherwise.

3. Price determination

The Offer Price having been duly determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

In each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) or if not as stipulated by 8:00 a.m. on the Listing Date or such other dates as the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If any of the conditions is not fulfilled or waived by the Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed "How to apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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

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

LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of the Shares on any other stock exchange. We have not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 17 January 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 17 January 2018.

The Shares will be traded in board lots of 8,000 Shares each. Our Company will not issue any temporary document of title. The stock code of the Shares will be 6182.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **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 Sponsor, the Sole Global Coordinator, 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 under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company, the Sponsor, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 to 12:00 noon on Thursday, 4 January 2018 from:

(i) the office of the following parties:

Ample Orient Capital Limited	Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
Wealth Link Securities Limited	Unit B1, 5/F Guangdong Investment Tower 148 Connaught Road Central Hong Kong
AFG Securities Limited	Room B, 17/F., Fortune House 61 Connaught Road Central Central Hong Kong

Aristo Securities Limited	Room 101, 1st Floor On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F, Wing On Centre 111 Connaught Road Central Hong Kong

(ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Public Offer:

District	**Branch Name**	**Address**
Hong Kong Island	Wanchai Branch	117–123 Hennessy Road, Wanchai, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2–12, Westlands Road, Quarry Bay, Hong Kong
Kowloon	Mongkok Branch	G/F, Belgian Bank Building, 721–725 Nathan Road, Mongkok, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Twintek Investment Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 December 2017	—	9:00 a.m. to 5:00 p.m.
Saturday, 30 December 2017	—	9:00 a.m. to 1:00 p.m.
Tuesday, 2 January 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 3 January 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 4 January 2018	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 January 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **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, the Sponsor and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sponsor, the Sole Global Coordinator and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK 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 Friday, 29 December 2017 until 11:30 a.m. on Thursday, 4 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 January 2018 or such later time under the "Effects of bad weather on the opening of the applications lists" in this section.

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 Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sponsor, the Sole Global Coordinator and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sponsor, the Sole Global Coordinator, 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 Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 29 December 2017 — 9:00 a.m. to 8:30 p.m.[(1)]
- Saturday, 30 December 2017 — 8:00 a.m. to 1:00 p.m.[(1)]
- Tuesday, 2 January 2018 — 8:00 a.m. to 8:30 p.m.[(1)]
- Wednesday, 3 January 2018 — 8:00 a.m to 8:30 p.m.[(1)]
- Thursday, 4 January 2018 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 4 January 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **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 Sole Global Coordinator 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 Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 January 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for 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 8,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 8,000 Public 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**.

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 — Determining the Offer Price".

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 Thursday, 4 January 2018. 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 Thursday, 4 January 2018 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", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Tuesday, 16 January 2018 in The Standard (in English) and the Hong Kong Economic Times (in Chinese), on our Company's website at **www.kwantaieng.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.kwantaieng.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 16 January 2018;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 16 January 2018 to 12:00 mid-night on Monday, 22 January 2018;

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 16 January 2018 to Friday, 19 January 2018;

- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 16 January 2018 to Thursday, 18 January 2018 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 Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sponsor, the Sole Global Coordinator, 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 Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **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 Sponsor or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of Public 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 Offer Price as finally determined is less than the maximum offer price of HK$0.68 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer — Conditions of the Share Offer" of 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 Tuesday, 16 January 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Tuesday, 16 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 17 January 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 16 January 2018 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 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 16 January 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 16 January 2018, 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 Tuesday, 16 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) 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.

(iv) 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 Tuesday, 16 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 16 January 2018, or such other date as notified by our Company 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 Tuesday, 16 January 2018 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.

(vi) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 16 January 2018, 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 Tuesday, 16 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 16 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 16 January 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 16 January 2018.

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-3, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, for the purpose of incorporation in this prospectus.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TWINTEK INVESTMENT HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Twintek Investment Holdings Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') set out on pages I-4 to I-55, which comprises the consolidated statements of financial position as at 31 March 2015, 2016, 2017 and 30 June 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three financial years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 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-55 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 December 2017 (the ''Prospectus'') in connection with the initial listing of the shares of the Company on the Main Broad of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Company as at 31 March 2017 and 30 June 2017 and of the Group as at 31 March 2015, 2016, 2017 and 30 June 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three months ended 30 June 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 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Preformed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINGING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

DIVIDENDS

We refer to note 16 to the Historical Financial Information which contains information about the dividends paid by the Company and its subsidiary, Kwan Tai Engineering Co., Limited, 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
Hong Kong
29 December 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 consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March			Three months ended 30 June	
		2015	2016	2017	2016	2017
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Revenue	*8*	235,351	216,865	202,319	30,873	85,329
Cost of sales and services		(187,263)	(169,313)	(138,097)	(23,679)	(63,842)
Gross profit		48,088	47,552	64,222	7,194	21,487
Other income	*10*	3,665	407	1,175	155	208
Selling and distribution expenses		(5,722)	(5,799)	(8,233)	(1,361)	(3,560)
Administrative expenses		(13,690)	(17,318)	(20,280)	(4,057)	(9,289)
Finance costs	*11*	(3,155)	(2,439)	(2,501)	(567)	(617)
Profit before tax		29,186	22,403	34,383	1,364	8,229
Income tax expense	*12*	(4,868)	(3,483)	(6,090)	(225)	(1,845)
Profit for the year/period and total comprehensive income for the year/period	*13*	24,318	18,920	28,293	1,139	6,384
Earnings per share						
Basic and diluted (HK cents)	*17*	4.05	3.15	4.71	0.19	1.06

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company	
		As at 31 March			At 30 June	At 31 March	At 30 June
		2015	2016	2017	2017	2017	2017
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Property, plant and equipment	*18*	1,623	2,409	2,221	2,182	—	—
Prepayment for acquisition of property	*35*	—	—	—	3,629	—	—
Prepayment and deposits paid for life insurance policies	*19*	4,674	4,859	5,051	5,101	—	—
Investments in subsidiaries	*34*	—	—	—	—	44,596	44,596
		6,297	7,268	7,272	10,912	44,596	44,596
Current assets							
Inventories	*20*	2,811	5,219	6,190	3,978	—	—
Amounts due from customers for contract work	*23*	8,331	10,147	40,756	40,627	—	—
Trade receivables	*21*	45,913	36,876	32,594	34,607	—	—
Retention monies receivables	*21*	14,469	18,168	15,231	17,192	—	—
Deposits, prepayments and other receivables	*22*	420	3,807	6,020	3,966	—	—
Amounts due from related companies	*24*	18,750	11,473	11,320	4,432	—	—
Amounts due from directors	*25*	7,173	1,604	24	—	—	—
Tax recoverable		2	822	—	—	—	—
Pledged bank deposits	*26*	3,030	3,036	18,049	3,051	—	—
Bank balances and cash	*26*	2,505	3,437	7,320	26,589	—	—
		103,404	94,589	137,504	134,442	—	—
Current liabilities							
Trade and bill payables	*27*	36,107	22,636	40,560	32,344	—	—
Amounts due to customers for contract work	*23*	7,384	7,793	1,758	228	—	—
Retention monies payables	*23*	—	395	926	1,569	—	—
Accruals and other payables	*28*	5,603	806	1,722	3,793	49	24
Amounts due to related companies	*24*	423	—	—	—	—	—
Bank borrowings	*29*	37,651	43,617	40,879	40,260	—	—
Obligations under finance leases	*31*	162	—	—	—	—	—
Tax payable		—	47	4,521	6,366	—	—
		87,330	75,294	90,366	84,560	49	24
Net current assets (liabilities)		16,074	19,295	47,138	49,882	(49)	(24)

		The Group				The Company	
		As at 31 March			At 30 June	At 31 March	At 30 June
		2015	**2016**	**2017**	**2017**	**2017**	**2017**
	NOTES	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets less current liabilities		22,371	26,563	54,410	60,794	44,547	44,572
Non-current liabilities							
Provision for long service payment		238	475	—	—	—	—
Deferred tax liability	*32*	78	89	118	118	—	—
		316	564	118	118	—	—
		22,055	25,999	54,292	60,676	44,547	44,572
Capital and reserves							
Share capital	*33*	5,000	5,024	—	—	—	—
Reserves	*33*	17,055	20,975	54,292	60,676	44,547	44,572
		22,055	25,999	54,292	60,676	44,547	44,572

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Capital reserve *(Note)* *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2014	5,000	—	(7,263)	(2,263)
Profit and other comprehensive income for the year	—	—	24,318	24,318
At 31 March 2015 and 1 April 2015	5,000	—	17,055	22,055
Profit and other comprehensive income for the year	—	—	18,920	18,920
Issue of shares *(note 33)*	24	—	—	24
Dividends recognised as distribution *(note 16)*	—	—	(15,000)	(15,000)
At 31 March 2016 and 1 April 2016	5,024	—	20,975	25,999
Profit and other comprehensive income for the year	—	—	28,293	28,293
Issue of shares *(note 33)*	—	—	—	—
Transfer upon a group reorganisation *(note 33)*	(5,024)	5,024	—	—
At 31 March 2017 and 1 April 2017	—	5,024	49,268	54,292
Profit and other comprehensive income for the period	—	—	6,384	6,384
At 30 June 2017	—*	5,024	55,652	60,676
At 31 March 2016 and 1 April 2016 (Audited)	5,024	—	20,975	25,999
Profit and other comprehensive income for the period	—	—	1,139	1,139
At 30 June 2016 (Unaudited)	5,024	—	22,114	27,138

* The share capital of the Group as at 30 June 2017 represented the amount of share capital of the Company of HK$0.01 and HK$99.99 issued on 8 February 2017 and 8 March 2017 respectively.

Note: The capital reserve represented the difference between the nominal amount of the share capital and share premium of Fortuna Enterprise Holdings Limited ("Fortuna") and the nominal amount of the share capital issued by the Company pursuant to a Reorganisation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
OPERATING ACTIVITIES					
Profit before tax	29,186	22,403	34,383	1,364	8,229
Adjustments for:					
Finance costs	3,155	2,439	2,501	567	617
Bank interest income	(6)	(6)	(14)	(3)	(2)
Interest income from deposits paid for life insurance policies	(186)	(193)	(199)	(50)	(52)
Mortgage loan interest reimbursed from a related company	(193)	(176)	(159)	(42)	(37)
Amortisation of prepayment for life insurance policies	9	8	7	2	2
Impairment loss (reversal of impairment loss) on trade receivables	632	(20)	108	—	282
Impairment loss on retention monies receivables	—	—	200	—	—
Allowance for inventories	—	57	—	—	—
Depreciation of property, plant and equipment	304	457	573	111	89
Provision (over-provision) for long service payment	12	237	(26)	—	—
Loss on disposal of property, plant and equipment	—	14	262	—	—
Operating cash flows before movements in working capital	32,913	25,220	37,636	1,949	9,128
Decrease (increase) in inventories	1,348	(2,465)	(971)	1,340	2,212
(Increase) decrease in trade receivables	(17,543)	9,057	4,174	19,023	(2,295)
(Increase) decrease in retention monies receivables	(4,822)	(3,699)	2,737	(233)	(1,961)
Decrease (increase) in deposits, prepayments and other receivables	2,735	(3,387)	(2,213)	(291)	2,054
Decrease (increase) in amounts due from customers for contract work	1,786	(1,816)	(30,609)	(6,426)	129
(Decrease) increase in trade and bill payables	(4,941)	(13,471)	17,924	(11,244)	(8,216)
Increase (decrease) in retention monies payables	—	395	531	(172)	643
Increase (decrease) in accruals and other payables	453	(4,797)	916	(130)	2,071
Increase (decrease) in amounts due to customers for contract work	3,936	409	(6,035)	(2,007)	(1,530)
Payment of long service payment	—	—	(449)	—	—
Cash generated from operations	15,865	5,446	23,641	1,809	2,235
Hong Kong Profits Tax paid	(988)	(4,245)	(718)	(710)	—
Macau Complementary Income Tax paid	—	—	(47)	—	—
NET CASH FROM OPERATING ACTIVITIES	14,877	1,201	22,876	1,099	2,235

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
INVESTING ACTIVITIES					
Bank interest income received	6	6	14	3	2
Mortgage loan interest reimbursed from a related company	193	176	159	42	37
Purchases of property, plant and equipment	(44)	(1,257)	(647)	(5)	(50)
Deposit for acquisition of property	—	—	—	—	(3,629)
(Placement)/release in pledged bank deposits	(6)	(6)	(15,013)	(3)	14,998
(Advance to) repayment from related companies	(2,142)	7,277	153	61	6,888
(Advance to) repayment from directors	(2,041)	(9,431)	1,580	(3,741)	24
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(4,034)	(3,235)	(13,754)	(3,643)	18,270
FINANCING ACTIVITIES					
Interest paid	(3,155)	(2,439)	(2,501)	(567)	(617)
Proceeds from issue of shares	—	24	—	—	—
New bank loans raised	1,600	36,956	35,000	14,350	21,400
Repayments of bank borrowings	(10,245)	(28,959)	(37,738)	(13,064)	(22,019)
Repayments of obligations under finance leases	(222)	(162)	—	—	—
Repayment to related companies	(2,100)	(423)	—	—	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(14,122)	4,997	(5,239)	719	(1,236)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,279)	2,963	3,883	(1,825)	19,269
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,753	474	3,437	3,437	7,320
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	474	3,437	7,320	1,612	26,589
Analysis of Components of Cash and Cash Equivalents:					
Bank balances and cash	2,505	3,437	7,320	3,512	26,589
Bank overdrafts	(2,031)	—	—	(1,900)	—
	474	3,437	7,320	1,612	26,589

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 February 2017. Its ultimate and immediate holding company is Helios Enterprise Holding Limited (''Helios''), a company incorporated in the British Virgin Islands (''BVI'') with limited liability. The companies now comprising the Group underwent a series of reorganisation. Prior to the reorganisation as detailed below, the entire equity interests of Kwan Tai Engineering Co., Limited (''Kwan Tai HK'') and Companhia de Engenharia Kwan Tai, Sociedade Unipessoal Limitada (''Kwan Tai Macau'') were directly held by two individuals, namely Mr. Lo Wing Cheung and Ms. Fung Pik Mei.

The addresses of the registered office and the principal place of business of the Company are stated in the ''Corporate Information'' section of the Prospectus. The Company is engaged in investment holding and the Group's major operating subsidiaries are mainly engaged in trading of building materials and provision of construction and engineering services.

The Historical Financial Information is presented in Hong Kong dollars (''HK$''), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the reorganisation as described in the ''History, Reorganisation and corporate structure — Corporate Reorganisation'' section of the Prospectus (the ''Reorganisation''), the Company became the holding company of the companies now comprising the Group after the completion of the Reorganisation on 14 March 2017. The companies now comprising the Group have been under the common control of the ultimate controlling shareholders including Mr. Lo Wing Cheung and Ms. Fung Pik Mei (the ''Controlling Shareholders'') throughout the Track Record Period or since their respective dates of incorporation or establishment up to the date of this report. 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 on a combined basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the HKICPA as if the Reorganisation had been completed at the beginning of the Track Record Period as set out in the accounting policy of the Company under ''Merger accounting for business combination involving entities under common control'' in note 4.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows including the results and cash flows of companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation or establishment of the relevant Group's subsidiaries, up to the date of this report. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'') AND NEW HONG KONG COMPANIES ORDINANCE

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all the new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (''HKAS(s)''), amendments and interpretations (''Int(s)'') (hereinafter collectively referred to as ''new and revised HKFRSs'') issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2017 and throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainly over Income Tax Treatments[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

HKFRS 9 (2014) requires an impairment on trade receivables recorded at amortised cost to be recorded based on a simplified approach and record lifetime expected to credit losses that are estimated based on the present value of all cash short falls over the remaining life of all of its trade and other receivables. During the Track Record Period, all of the Group's financial assets and financial liabilities were carried at amortised cost without significant impairment on the former. The implementation of HKFRS 9 (2014) is not expected to result in any significant impact on the Group's financial position and result of operations.

HKFRS 15 Revenue from Contracts with Customers

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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. HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

For the years ended 31 March 2015, 2016, 2017 and period ended 30 June 2017, the Group had retained minimum level of uninstalled materials as buffer of approximately HK$184,000, HK$36,000, HK$357,000 and HK$36,000, respectively which had been recognised as cost of sales and services for those construction contracts. As a result, it may affect the measurement of percentage of completion when the input method is used and the timing of early revenue recognition for the above periods if HKFRS 15 were adopted. Had the said minimum level of uninstalled material been excluded, the revenue and gross profit (assuming zero gross profit margin) would have been reduced by the same amounts of approximately HK$211,000, HK$141,000, HK$402,000 and HK$49,000, respectively for the years ended 31 March 2015, 2016, 2017 and period ended 30 June 2017. Based on the assessment conducted by the directors of the Company, the impact on the Group's financial position and performance upon the adoption of HKFRS 15 is not expected to be material.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. As at 31 March 2015, 2016, 2017 and 30 June 2017, the Group has non-cancellable operating lease commitments of approximately HK$1,980,000, HK$923,000, HK$4,025,000 and HK$3,188,000, respectively as disclosed in note 36. 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 lease 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 in changes to the measurement, presentation and disclosure as indicated above, but the directors of the Company expect the impact on the Group's financial position and performance upon the adoption of HKFRS 16 to be not material.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

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 assets or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company upon the Reorganisation. 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 stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary are included in the consolidated 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 into line with those used by other members of the Group.

All intra-group assets and 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 entities under common control

The Historical Financial Information include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost less any identified impairment loss, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business and net of discounts.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from construction contracts is recognised based on the stage of completion of contracts which refers to projects involving sales of building materials with related installation services, as detailed in "Construction contracts" below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

A construction contract is defined by HKAS 11 Construction contracts, as a contract specifically negotiated for the construction of an asset.

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise director materials, the costs of subcontracting and an appropriate proportion of variable and fixed construction overheads.

Revenue from construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

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 received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and retention monies receivables.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost and termination benefits

Payments to the Mandatory Provident Fund Scheme (''MPF Scheme'') are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ''profit before tax'' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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 investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of 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, except when they relate to items that are recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above, net of outstanding secured bank overdrafts.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the 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 into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits paid for life insurance policies, trade and retention monies receivables, deposits and other receivables, amounts due from related companies, amounts due from directors, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and retention monies 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 in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and retention monies 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 or retention monies 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and bill payables, retention monies payables, accruals and other payables, amounts due to related companies, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss ("FVTPL") is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, 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 the 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 the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the Historical Financial Information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for long service payments

The provision for long service payments involves making various assumptions that may differ from actual developments in the future. These include the determination of the future salary increases, pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability rate. Due to the complexities involved in the estimation and its long-term nature, a long service payment obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting periods.

The Company makes provision for lump sum payments on cessation of employment in certain circumstances to employees. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss in future years.

The carrying amounts of the provision for long service payment are approximately HK$238,000, HK$475,000, nil and nil as at 31 March 2015, 2016, 2017 and 30 June 2017 respectively.

Construction contracts revenue recognition

The Group recognised contract revenue and profit of a construction contract according to the management's estimation of the stage of completion of the contract by reference to the accumulated contract costs recognised over the budget cost at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised and the amounts due from (to) customers for contract work as detailed in note 23. As at 31 March 2015, 2016, 2017 and 30 June 2017, the net carrying values of amounts due from customers for contract work are approximately HK$947,000, HK$2,354,000, HK$38,998,000 and HK$40,399,000, respectively. There were no impairment losses recognised as at 31 March 2015, 2016, 2017 and 30 June 2017.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. As at 31 March 2015, 2016, 2017 and 30 June 2017, the carrying values of property, plant and equipment are approximately HK$1,623,000, HK$2,409,000, HK$2,221,000 and HK$2,182,000 respectively.

Estimated impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2015, 2016, 2017 and 30 June 2017, the carrying values of property, plant and equipment are approximately HK$1,623,000, HK$2,409,000, HK$2,221,000 and HK$2,182,000, respectively. There were no impairment losses recognised as at 31 March 2015, 2016, 2017 and 30 June 2017.

Impairment loss recognised in respect of trade and retention monies receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2015, 2016, 2017 and 30 June 2017, the carrying amounts of trade and retention monies receivables are approximately HK$60,382,000, HK$55,044,000, HK$47,825,000 and HK$51,799,000, respectively and the recognised allowance for impairment of trade and retention monies receivables are approximately HK$1,360,000, HK$1,340,000, HK$1,648,000 and HK$1,930,000, respectively, details of which are set out in note 21.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 29, obligations under finance leases disclosed in note 31, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider costs of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	96,631	80,228	92,581	92,741
Financial liabilities				
Financial liabilities at amortised cost	79,946	67,454	84,087	77,966

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for life insurance policies' trade and retention monies receivables, deposits and other receivables, amounts due from related companies and directors, pledged bank deposits, bank balances and cash, trade, bill and retention monies payables, accruals and other payables, amounts due to related companies, bank borrowings and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has foreign currency purchases, which expose the Group to foreign currency risk. For each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017, approximately 26%, 28%, 47% and 20% of the Group's cost of sales and services are denominated in currencies other than the function currency of the group. The Group will monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets				Liabilities			
	At 31 March			At 30 June	At 31 March			At 30 June
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
United States Dollar ("USD")	4,674	4,859	5,051	5,101	(3,775)	(2,255)	–	–
EURO ("EUR")	3	3	3	3	(10,254)	(8,770)	(24,088)	(16,382)
Renminbi ("RMB")	–	–	–	–	(188)	(366)	–	–

Sensitivity analysis

No sensitivity analysis was prepared for USD of the group entity with functional currency of HK$ as HK$ is pegged to USD. The Group is mainly exposed to the currency risk of EUR and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars against the relevant foreign currencies for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where HK$ strengthen 5% against the relevant currency for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017. For a 5% weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017.

	EUR				RMB			
	Year ended 31 March			Three months ended 30 June	Year ended 31 March			Three months ended 30 June
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit	(425)	(369)	(1,004)	(684)	(8)	(15)	–	–

The above impact are mainly attribute to the exposure outstanding on EUR and RMB payables not subject to cash flow hedges at year end.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate of pledged bank deposits (see note 26), fixed-rate bank borrowings (see note 29) and obligations under finance leases (see note 31). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to bank balances (see note 26) and variable-rate bank borrowings (see note 29). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market rates arising from the Group's bank balances and the fluctuation of prime rates, bank's best lending rate and HIBOR arising from the Group's bank borrowings denominated in HK$.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. For each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017, a 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK$122,000, HK$147,000, HK$123,000 and HK$19,000 for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 30.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Amounts due from related companies and directors are continuously monitored by assessing the credit quality of the counterparty, taking into account their financial position, past experience and other factors. Where necessary, impairment loss is made for estimated irrecoverable amounts.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is all in Hong Kong as at 31 March 2015, 2016, 2017 and 30 June 2017.

The Group's concentration of credit risk as 19%, 16%, 18% and 20% of the total trade receivables was due from the Group's largest customer as at 31 March 2015, 2016, 2017 and 30 June 2017 respectively. As at 31 March 2015, 2016, 2017 and 30 June 2017, 42%, 61%, 61% and 69% of the total trade receivables was due from the Group's five largest customers respectively.

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2015, 2016, 2017 and 30 June 2017, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$1,911,000, HK$6,383,000, HK$11,176,000 and HK$12,340,000 respectively. Details of which are set out in note 29.

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.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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 curve at the end of the reporting period.

Liquidity tables

	On demand or within one year	**More than 1 year but less than 2 years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015				
Non-derivative financial liabilities				
Trade and bill payables	36,107	—	36,107	36,107
Accruals and other payables	5,603	—	5,603	5,603
Amounts due to related companies	423	—	423	423
Bank borrowings *(Note)*	37,651	—	37,651	37,651
Obligations under finance leases	162	—	162	162
	79,946	—	79,946	79,946
At 31 March 2016				
Non-derivative financial liabilities				
Trade and bill payables	22,636	—	22,636	22,636
Retention monies payables	395	—	395	395
Accruals and other payables	806	—	806	806
Bank borrowings *(Note)*	43,617	—	43,617	43,617
Contingent liabilities for guarantee of performance bonds	1,772	—	1,772	—
	69,226	—	69,226	67,454
At 31 March 2017				
Non-derivative financial liabilities				
Trade and bill payables	40,560	—	40,560	40,560
Retention monies payables	926	—	926	926
Accruals and other payables	1,722	—	1,722	1,722
Bank borrowings *(Note)*	40,879	—	40,879	40,879
Contingent liabilities for guarantee of performance bonds	3,892	—	3,892	—
	87,979	—	87,979	84,087

	On demand or within one year HK$'000	More than 1 year but less than 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 30 June 2017				
Non-derivative financial liabilities				
Trade and bill payables	32,344	—	32,344	32,344
Retention monies payables	1,569	—	1,569	1,569
Accruals and other payables	3,793	—	3,793	3,793
Bank borrowings *(Note)*	40,260	—	40,260	40,260
Contingent liabilities for guarantee of performance bonds	3,892	—	3,892	—
	81,858	—	81,858	77,966

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 contractual undiscounted payments (for internal management purpose).

The table includes both interest and principal cash flows. To the extent that interest payments are based on a floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Maturity Analysis

	On demand or within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2015						
Non-derivative financial liabilities						
Trade and bill payables	36,107	—	—	—	36,107	36,107
Accruals and other payables	5,603	—	—	—	5,603	5,603
Amounts due to related companies	423	—	—	—	423	423
Bank borrowings	30,449	2,703	3,803	2,693	39,648	37,651
Obligations under finance leases	162	—	—	—	162	162
	72,744	2,703	3,803	2,693	81,943	79,946
At 31 March 2016						
Non-derivative financial liabilities						
Trade and bill payables	22,636	—	—	—	22,636	22,636
Retention monies payables	395	—	—	—	395	395
Accruals and other payables	806	—	—	—	806	806
Bank borrowings	38,919	1,697	2,870	1,928	45,414	43,617
	62,756	1,697	2,870	1,928	69,251	67,454

	On demand or within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 March 2017						
Non-derivative financial liabilities						
Trade and bill payables	40,560	—	—	—	40,560	40,560
Retention monies payables	926	—	—	—	926	926
Accruals and other payables	1,722	—	—	—	1,722	1,722
Bank borrowings	37,627	1,122	2,390	1,286	42,425	40,879
	80,835	1,122	2,390	1,286	85,633	84,087
At 30 June 2017						
Non-derivative financial liabilities						
Trade and bill payables	32,344	—	—	—	32,344	32,344
Retention monies payables	1,569	—	—	—	1,569	1,569
Accruals and other payables	3,793	—	—	—	3,793	3,793
Bank borrowings	37,235	1,123	2,270	1,125	41,753	40,260
	74,941	1,123	2,270	1,125	79,459	77,966

Note: Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 March 2015, 2016, 2017 and 30 June 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$37,651,000, HK$43,617,000, HK$40,879,000 and HK$40,260,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$39,648,000, HK$45,414,000, HK$42,425,000 and HK$41,753,000 respectively.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements recognised in the consolidated statements of financial position

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their corresponding fair value.

8. REVENUE

Revenue represents revenue arising on sales of building materials and construction contracts. The following is an analysis of the Group's revenue for the year:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Sales of building materials	106,406	73,353	65,902	7,386	19,284
Revenue from construction contracts	128,945	143,512	136,417	23,487	66,045
	235,351	216,865	202,319	30,873	85,329

An analysis of the Group's revenue by segments is set out in Note 9.

9. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in services. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

1. Sales of building materials — trading of goods on building materials; and

2. Construction contracts — provision of construction and engineering services.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2015

	Sales of building materials	Construction contracts	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales and segment revenue	106,406	128,945	235,351
Segment profit	33,479	13,977	47,456
Unallocated other income			3,665
Unallocated corporate expenses			(18,780)
Finance costs			(3,155)
Profit before tax			29,186

For the year ended 31 March 2016

	Sales of building materials	Construction contracts	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales and segment revenue	73,353	143,512	216,865
Segment profit	29,354	18,218	47,572
Unallocated other income			387
Unallocated corporate expenses			(23,117)
Finance costs			(2,439)
Profit before tax			22,403

For the year ended 31 March 2017

	Sales of building materials	Construction contracts	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales and segment revenue	65,902	136,417	202,319
Segment profit	27,942	35,972	63,914
Unallocated other income			1,175
Unallocated corporate expenses			(28,205)
Finance costs			(2,501)
Profit before tax			34,383

For the three months ended 30 June 2016 (Unaudited)

	Sales of building materials	Construction contracts	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales and segment revenue	7,386	23,487	30,873
Segment profit	2,295	4,899	7,194
Unallocated other income			155
Unallocated corporate expenses			(5,418)
Finance cost			(567)
Profit before tax			1,364

For the three months ended 30 June 2017

	Sales of building materials	Construction contracts	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales and segment revenue	19,284	66,045	85,329
Segment profit	8,090	13,115	21,205
Unallocated other income			208
Unallocated corporate expenses			(12,567)
Finance cost			(617)
Profit before tax			8,229

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs and selling and distribution expenses, directors' emoluments, interest income, loss on disposal of property, plant and equipment, certain other income, finance costs and depreciation of property, plant and equipment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

		At 31 March		At 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Sales of building materials	20,758	8,892	16,857	13,620
Construction contracts	47,955	56,299	71,724	78,806
	68,713	65,191	88,581	92,426
Total segment assets				
Unallocated corporate assets	40,988	36,666	56,195	52,928
Consolidated assets	109,701	101,857	144,776	145,354

Segment liabilities

		At 31 March		At 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	
Sales of construction materials	10,852	4,983	9,629	8,167
Construction contracts	32,639	25,841	33,615	25,974
	43,491	30,824	43,244	34,141
Total segment liabilities				
Unallocated corporate liabilities	44,155	45,034	47,240	50,537
Consolidated liabilities	87,646	75,858	90,484	84,678

For the purposes of monitoring segment performance and allocating resources between segments:

— only assets of amounts due from customers for contract work, trade and retention monies receivables are allocated to operating segments; and

— only liabilities of amounts due to customers for contract work and trade, bill and retention monies payables are allocated to operating segments.

Other segment information

For the year ended 31 March 2015

	Sales of building materials	Construction contracts	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets (property, plant and equipment)	—	—	44	44
Depreciation	—	—	304	304
Impairment loss on trade receivables	—	632	—	632

For the year ended 31 March 2016

	Sales of building materials	Construction contracts	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets (property, plant and equipment)	—	—	1,257	1,257
Depreciation	—	—	457	457
Loss on disposal of property, plant and equipment	—	—	14	14
Reversal of impairment loss on trade receivables	—	(20)	—	(20)
Impairment loss on inventories	—	—	57	57

For the year ended 31 March 2017

	Sales of building materials	Construction contracts	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets (property, plant and equipment)	—	—	647	647
Depreciation	—	—	573	573
Loss on disposal of property, plant and equipment	—	—	262	262
Impairment loss on trade receivables	—	108	—	108
Impairment loss on retention monies receivables	—	200	—	200

For the three months ended 30 June 2016 (Unaudited)

	Sales of building materials *HK$'000*	Construction contracts *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets (property, plant and equipment)	—	—	5	5
Depreciation	—	—	111	111

For the three months ended 30 June 2017

	Sales of building materials *HK$'000*	Construction contracts *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or segment assets:				
Addition to non-current assets (property, plant and equipment)	—	—	50	50
Addition to non-current assets (prepayment for acquisition of property)	—	—	3,629	3,629
Impairment loss on trade receivables	215	67	—	282
Depreciation	—	—	89	89

Geographical information

The Group's operations are located in Hong Kong and Macau.

Information about the Group's revenue from external customers is presented based on (i) the location of installation work performed by the Group for "Construction contracts" and (ii) the source of trading income for "Sales of building materials". Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from external customers

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Hong Kong	235,351	207,866	202,254	30,873	85,329
Macau	—	8,999	65	—	—
	235,351	216,865	202,319	30,873	85,329

Non-current assets

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,623	2,409	2,221	5,811

Note: Non-current assets excluded prepayment and deposits paid for life insurance policies.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March			Three months ended 30 June	Three months ended 30 June
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A[2]	*	N/A	25,576	N/A	*
Customer B[1]	*	*	34,867	*	20,089
Customer C[1,2]	35,456	33,788	N/A	N/A	21,249
Customer D[1,2]	*	22,589	*	4,676	*
Customer E[1]	35,467	24,564	*	3,289	*
Customer F[1,2]	59,115	*	*	7,168	*
Customer G[2]	36,884	N/A	N/A	N/A	N/A

[1] Revenue from construction contracts

[2] Revenue from sales of building materials

* The corresponding revenue did not contribute over 10% of the total revenue of the Group

10. OTHER INCOME

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Bank interest income	6	6	14	3	2
Interest income from deposits paid for life insurance policies	186	193	199	50	52
Mortgage loan interest reimbursed from a related company	193	176	159	42	37
Net foreign exchange gain	2,683	—	520	—	—
Sample income	83	8	254	60	117
Reversal of impairment loss on trade receivables	—	20	—	—	—
Others	514	4	29	—	—
	3,665	407	1,175	155	208

11. FINANCE COSTS

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank loans, overdrafts and other borrowings	3,143	2,437	2,501	567	617
Interest on finance leases	12	2	—	—	—
	3,155	2,439	2,501	567	617

12. INCOME TAX EXPENSE

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current tax:					
Hong Kong Profits Tax	1,444	3,425	6,061	225	1,845
Macau Complementary Income Tax	—	47	—	—	—
	1,444	3,472	6,061	225	1,845
Deferred tax *(note 32)*	3,424	11	29	—	—
	4,868	3,483	6,090	225	1,845

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017.

Macau Complementary Income Tax has been provided at the rate of 12% on the estimated assessable profits arising in Macau for the year ended 31 March 2016. No provision for Macau Complementary Income Tax has been made for the year ended 31 March 2015, 2017 and the three months ended 30 June 2016 and 2017 as the Group did not have any assessable profit subject to Macau Complementary Income Tax.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the years can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before tax	29,186	22,403	34,383	1,364	8,229
Tax at the domestic income tax rate of 16.5%	4,816	3,696	5,673	225	1,358
Tax effect of expenses not deductible for tax purpose	103	105	420	15	504
Tax effect of income not taxable for tax purpose	(31)	(32)	(33)	(15)	(17)
Tax effect of tax concession period *(Note)*	(20)	(20)	(20)	—	—
Effect of different tax rates of subsidiary operating in other jurisdictions	—	(266)	50	—	—
Income tax expense for the year	4,868	3,483	6,090	225	1,845

Details of deferred tax liabilities are set out in note 32.

Note: Tax exemptions represented reduction of Hong Kong profits tax for the years of assessment 2014/2015, 2015/2016 and 2016/2017 by 75%, subject to a ceiling of HK$20,000 per case.

13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Directors' emoluments *(note 14)*	2,417	2,196	3,120	654	886
Other staff costs (excluding directors' and chief executive's emoluments)	3,700	4,697	7,096	1,424	2,411
Retirement benefits scheme contributions (excluding directors' and chief executive's emoluments)	116	138	199	48	86
Provision (over-provision) for long service payment	12	237	(26)	—	—
Total staff costs	6,245	7,268	10,389	2,126	3,383
Auditor's remuneration	85	85	125	21	—
Depreciation of property, plant and equipment#	304	457	573	111	89
Professional expenses incurred in connection with the Company's listing	—	—	1,875	—	2,948
Net foreign exchange losses	—	109	—	80	234
Loss on disposal of property, plant and equipment#	—	14	262	—	—
Allowance for inventories	—	57	—	—	—
Impairment loss on trade receivables#	632	—	108	—	282
Impairment loss on retention monies receivables#	—	—	200	—	—
Amortisation of prepayment for life insurance policies#	9	8	7	2	2
Minimum lease payments paid under operating lease in respect of rented premises	488	1,316	1,470	336	379

Those expenses were included in administrative expenses of the consolidated statement of profit or loss and other comprehensive income.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017, the emoluments paid or payable to each of the two, two, two, two and two directors and chief executive, respectively, were as follows:

For the year ended 31 March 2015

	Mr. Lo Wing Cheung	Ms. Fung Pik Mei	Total
	HK$'000	*HK$'000*	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its inter-group company undertaking			
— Fees	—	—	—
— Other emoluments			
Salaries	600	480	1,080
Discretionary Bonus *(Note)*	—	300	300
— Salaries and other benefits subtotal	600	780	1,380
— Retirement benefits scheme contributions	18	18	36
— Estimated money value of non-cash benefits (Directors' quarters expenses)	—	1,001	1,001
	618	1,799	2,417

For the year ended 31 March 2016

	Mr. Lo Wing Cheung	Ms. Fung Pik Mei	Total
	HK$'000	*HK$'000*	*HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its inter-group company undertaking			
— Fees	—	—	—
— Other emoluments			
Salaries	600	480	1,080
Discretionary Bonus *(Note)*	—	—	—
— Salaries and other benefits subtotal	600	480	1,080
— Retirement benefits scheme contributions	18	18	36
— Estimated money value of non-cash benefits (Directors' quarters expenses)	—	1,080	1,080
	618	1,578	2,196

For the year ended 31 March 2017

	Mr. Lo Wing Cheung *HK$'000*	Ms. Fung Pik Mei *HK$'000*	Total *HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its inter-group company undertaking			
— Fees			
— Other emoluments	—	—	—
Salaries	600	600	1,200
Discretionary Bonus *(Note)*	150	150	300
— Salaries and other benefits subtotal	750	750	1,500
— Retirement benefits scheme contributions	18	18	36
— Estimated money value of non-cash benefits (Directors' quarters expenses)	1,584	—	1,584
	2,352	768	3,120

Three months ended 30 June 2016 (Unaudited)

	Mr. Lo Wing Cheung *HK$'000*	Ms. Fung Pik Mei *HK$'000*	Total *HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its inter-group company undertaking			
— Fees	—	—	—
— Other emoluments			
Salaries	150	150	300
Discretionary Bonus *(Note)*	37	37	74
— Salaries and other benefits subtotal	187	187	374
— Retirement benefits scheme contributions	5	5	10
— Estimated money value of non-cash benefits (Directors' quarters expenses)	270	—	270
	462	192	654

Three months ended 30 June 2017

	Mr. Lo Wing Cheung *HK$'000*	Ms. Fung Pik Mei *HK$'000*	Total *HK$'000*
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its inter-group company undertaking			
— Fees	—	—	—
— Other emoluments			
Salaries	225	195	420
Discretionary Bonus *(Note)*	35	35	70
— Salaries and other benefits subtotal	260	230	490
— Retirement benefits scheme contributions	5	5	10
— Estimated money value of non-cash benefits (Directors' quarters expenses)	386	—	386
	651	235	886

Note: The directors of the Company received the discretionary bonus which shall be determined by the Board with regard to the performance of the relevant director and the operating results of the Group as a whole in respect of the financial year.

None of the directors waived or agreed to waive any emoluments paid by the Group during the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017. No emoluments were paid by the Group to any directors or the chief executive of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017.

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016, no chief executive was appointed by the Company. Mr. Lo Wing Cheung performed the duties of chief executive and his emolument disclosed above includes those services rendered by Mr. Lo Wing Cheung. Mr. Wan Ho Yin was appointed as non-executive director on 22 June 2017 and no emolument was paid by the Group to Mr. Wan Ho Yin during the three months ended 30 June 2017.

15. EMPLOYEES' EMOLUMENTS

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017, of the five individuals with the highest emoluments in the Group, two, two, two, two and two were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 14 above. The emoluments of the remaining three, three, three, three and three individuals were as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other benefits	1,475	1,424	1,980	408	524
Contributions to retirement benefits schemes	48	50	54	14	14
	1,523	1,474	2,034	422	538

Their emoluments were within the following bands:

	Number of employees				
	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016** (unaudited)	**2017**
Nil to HK$1,000,000	3	3	2	3	3
HK$1,000,001 to HK$1,500,000	—	—	1	—	—

No emoluments were paid or payable 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 during the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017.

16. DIVIDENDS

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2016 and 2017, Kwan Tai HK made the following distributions to their shareholders.

	Year ended 31 March			Three months end 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Dividends recognised as distribution during the year	—	15,000	—	—	—

No dividend was paid or proposed by the Company subsequent to the end of the reporting period and up to the date of this report. Dividend payable is non-cash transaction. The amount had been set-off the amounts due from directors.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share during the Track Record Period is based on the profit attributable to the owners of the Company during the Track Record Period and assuming 600,000,000 shares were in issue during the Track Record Period after taking into account the capitalisation pursuant to the Reorganisation as stated in Note 2.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Track Record Period.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST					
At 1 April 2014	1,330	339	312	832	2,813
Additions	—	18	26	—	44
At 31 March 2015 and 1 April 2015	1,330	357	338	832	2,857
Additions	—	755	502	—	1,257
Disposals	—	(199)	(83)	—	(282)
At 31 March 2016 and 1 April 2016	1,330	913	757	832	3,832
Additions	—	345	302	—	647
Disposals	—	(425)	(26)	—	(451)
At 31 March 2017 and 1 April 2017	1,330	833	1,033	832	4,028
Additions	—	35	15	—	50
At 30 June 2017	1,330	868	1,048	832	4,078
ACCUMULATED DEPRECIATION					
At 1 April 2014	133	248	174	375	930
Charge for the year	13	34	49	208	304
At 31 March 2015 and 1 April 2015	146	282	223	583	1,234
Charge for the year	14	172	146	125	457
Eliminated on disposals	—	(188)	(80)	—	(268)
At 31 March 2016 and 1 April 2016	160	266	289	708	1,423
Charge for the year	13	241	195	124	573
Eliminated on disposals	—	(171)	(18)	—	(189)
At 31 March 2017 and 1 April 2017	173	336	466	832	1,807
Charge for the period	3	39	47	—	89
At 30 June 2017	176	375	513	832	1,896
CARRYING VALUES					
At 31 March 2015	1,184	75	115	249	1,623
At 31 March 2016	1,170	647	468	124	2,409
At 31 March 2017	1,157	497	567	—	2,221
At 30 June 2017	1,154	493	535	—	2,182

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	1%
Leasehold improvements	Over the shorter of term of the lease or 5 years
Office equipment	20%
Motor vehicles	25%

As at 31 March 2015, the net carrying amount of motor vehicles HK$249,000 in respect of assets was held under finance leases.

As at 31 March 2015, 2016, 2017 and 30 June 2017, the Group has pledged leasehold land and buildings with a net carry amounts of approximately HK$1,184,000, HK$1,170,000, HK$1,157,000 and HK$1,154,000, respectively to secure general banking facilities granted to the Group.

19. PREPAYMENT AND DEPOSITS PAID FOR LIFE INSURANCE POLICIES

On 29 August 2012 ("Policy A") and 18 September 2013 ("Policy B"), the Company entered into life insurance policies with an insurance company on Ms. Fung Pik Mei. Under the policies, the beneficiary and policies holder is the Company. The Company is required to pay an upfront payment for the policies. The Company may request a partial surrender or full surrender of the policies at any time and receive cash back based on the value of the policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the thirty-fifth policy year for Policy A and the first to the thirty-forth policy year for Policy B, as appropriate, a pre-determined specified surrender charge would be imposed.

The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit placed is carried at amortised cost using the effective interest method. The deposit placed for the life insurance policy carries guaranteed interests at interest rates ranging from 3.87% to 4.0% plus a premium determined by the insurance company during the tenures of the policy. The effective interest rate on initial recognition was determined by discounting the estimated future cash receipts through the expected life of the insurance policy, excluding the financial effect of surrender charge.

Particulars of the policies are as follows:

		Guaranteed interest rates	
Insured sum	**Upfront payment**	**First year**	**Second year and onwards**
Policy A:			
US$1,108,000 (equivalent to HK$8,591,000)	US$276,000 (equivalent to HK$2,140,000)	4% per annum	2% per annum
Policy B:			
US$1,018,000 (equivalent to HK$7,893,000)	US$280,000 (equivalent to HK$2,171,000)	4% per annum	2% per annum

The carrying amounts of deposit placed and prepayment of life insurance premium at the end of each reporting period are set out as below:

		At 31 March		**At 30 June**
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposit paid	4,430	4,623	4,822	4,874
Prepayment	244	236	229	227
	4,674	4,859	5,051	5,101

The carrying amounts of the prepayment and deposits paid for life insurance policies as at 31 March 2015, 2016, 2017 and 30 June 2017 approximates the Cash Value of the insurance policy and the expected life of the policy remained unchanged from the initial recognition. The entire balance of the life insurance policy is denominated in USD.

20. INVENTORIES

		At 31 March		**At 30 June**
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Materials and consumables for construction works and trading purpose	2,811	5,219	6,190	3,978

21. TRADE RECEIVABLES/RETENTION MONIES RECEIVABLES

	At 31 March			At 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	46,865	37,808	33,634	35,929
Less: impairment loss on trade receivables	(952)	(932)	(1,040)	(1,322)
	45,913	36,876	32,594	34,607
Retention monies receivables	14,877	18,576	15,839	17,800
Less: impairment loss on retention monies receivables	(408)	(408)	(608)	(608)
	14,469	18,168	15,231	17,192
	60,382	55,044	47,825	51,799

The average credit period granted to trade customers other than for retention monies receivables ranged from 30 to 60 days. The terms and conditions in relation to the release of retention monies vary from contract to contract, which may be subject to practical completion, the expiry of the maintenance period or a pre-agreed time period. Retention monies receivables are included in current assets as the Group expects to realise these within its normal operating cycle. The Group does not hold any collateral as security.

Trade receivables are non-interest-bearing. At 31 March 2015, 2016, 2017 and 30 June 2017, the Group has certain concentration risk that may arise from the exposure to the five largest customers, which accounted for 47%, 61%, 61% and 69% of the Group's total receivables respectively. At 31 March 2015, 2016, 2017 and 30 June 2017, the Group has certain concentration risk that may arise from the exposure to the largest customer which accounted for 19%, 16%, 18% and 20% of the Group's total receivables, respectively.

The following is an aging analysis of trade receivables net of impairment loss of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	At 31 March			At 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	21,380	21,030	23,318	20,513
31 to 60 days	11,241	6,415	4,572	8,444
61 to 90 days	11,118	3,911	2,405	2,734
Over 90 days	2,174	5,520	2,299	2,916
	45,913	36,876	32,594	34,607

As at 31 March 2015, 2016, 2017 and 30 June 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$21,792,000, HK$10,616,000, HK$8,390,000 and HK$10,477,000 respectively, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 59 days, 70 days, 63 days and 36 days, respectively.

An aging analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not past due	24,121	26,260	24,204	24,130
Less than 31 days past due	18,969	4,602	4,706	4,950
31 to 90 days past due	2,225	4,390	1,838	4,565
Past due over 90 days	598	1,624	1,846	962
	45,913	36,876	32,594	34,607

Before accepting any new customer, the Group uses credit assessment system to assess the potential customer's credit quality. All balance of trade receivables were subject to case by case impairment assessment.

The movement in the impairment loss of trade receivables is set out below:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the financial year/period	320	952	932	1,040
Impairment loss recognised on trade receivables	632	—	108	282
Reversal of impairment loss	—	(20)	—	—
At the end of the financial year/period	952	932	1,040	1,322

As at 31 March 2015, 2016, 2017 and 30 June 2017, included in the impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of HK$952,000, HK$932,000, HK$1,040,000 and HK$1,322,000, respectively. The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

The movement in the impairment loss of retention monies receivables is set out below:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the financial year/period	408	408	408	608
Impairment loss recognised on retention monies receivables	—	—	200	—
At the end of the financial year/period	408	408	608	608

In the opinion of directors, the following table illustrates the aging analysis of retention monies receivables expected to be recovered within or after one year as at the end of each of the reporting dates:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	4,303	6,737	7,721	8,301
After 1 year	10,166	11,431	7,510	8,891
	14,469	18,168	15,231	17,192

As at 31 March 2015, 2016, 2017 and 30 June 2017, included in the impairment loss of retention monies receivables are individually impaired retention receivables with an aggregate balance of, HK$408,000, HK$408,000, HK$608,000 and HK$608,000 respectively. The individually impaired receivables are recognised based on the credit history of its customer and current market conditions.

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits	360	553	3,221	1,996
Prepayments	60	2,796	2,799	1,970
Other receivables	—	458	—	—
	420	3,807	6,020	3,966

None of the other receivables is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/RETENTION MONIES PAYABLES

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracts in progress at the end of each reporting period:				
Contract costs incurred plus recognised profits less recognised losses	199,760	187,228	193,296	191,940
Less: progress billings	(198,813)	(184,874)	(154,298)	(151,541)
	947	2,354	38,998	40,399
Analysed for reporting purpose as:				
Amounts due from customers for contract work	8,331	10,147	40,756	40,627
Amounts due to customers for contract work	(7,384)	(7,793)	(1,758)	(228)
	947	2,354	38,998	40,399

As at 31 March 2015, 2016, 2017 and 30 June 2017, retentions monies held by customers for customers for contract work amounted to HK$14,469,000, HK$18,168,000, HK$15,231,000 and HK$17,192,000 respectively. Details of which are set out in note 21.

As at 31 March 2015, 2016, 2017 and 30 June 2017, the retentions held by the Group for customers for contract work included in retention monies payables included in the current liabilities of the Group amounted to nil, approximately HK$395,000, HK$926,000 and HK$1,569,000 respectively.

24. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	At 31 March			At 30 June	Maximum amount outstanding during the year/period: Year ended 31 March			Three months ended 30 June
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Tristar Building Materials Company	12,595	6,476	6,769	—	17,287	12,656	7,873	6,769
Well Treasures (Hong Kong) Limited	677	—	—	—	677	677	—	—
Sun Warm Holding Company Limited	5,478	4,997	4,551	4,432	5,934	5,478	4,997	4,551
	18,750	11,473	11,320	4,432				

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, Tristar Building Materials Company was indirectly owned by Mr. Lo Wing Cheung and Ms. Fung Pik Mei, the beneficial owners of the Company, through Fortune Loy Holdings Limited and United Aim Limited.

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, Well Treasures (Hong Kong) Limited was directly owned by Ms. Fung Pik Mei, the beneficial owner of the Company.

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, Sun Warm Holding Company Limited was directly owned by Mr. Lo Wing Cheung and Ms. Fung Pik Mei, the beneficial owners of the Company.

As at 31 March 2015, there were amounts due to Charter Team Limited of HK$414,000 and Sun Warm Engineering Company Limited of HK$9,000, of which the beneficial owners are Mr. Lo Wing Cheung and Ms. Fung Pik Mei.

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE FROM DIRECTORS

Loans to officers disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 31 March			At 30 June	Maximum amount outstanding during the year/period: Year ended 31 March			Three months ended 30 June
	2015	2016	2017	2017	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lo Wing Cheung	6,112	1,604	17	—	9,452	13,150	10,209	17
Ms. Fung Pik Mei	1,061	—	7	—	1,061	3,439	1,055	7
	7,173	1,604	24	—				

The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

26. PLEDGED BANK DEPOSITS/ BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits have been pledged to secure bank overdrafts, short-term bank loans and undrawn facilities and are therefore classified as current assets.

The pledged deposits carry fixed interest rate of 0.19%, 0.2%, 0.1% and 0.25% per annum for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017.

Bank balances and cash

Bank balances carry interest at market rates ranging from 0.1% to 0.2% per annum for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017.

Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
EUR	3	3	3	3

27. TRADE AND BILL PAYABLES

The following table is the composition of trade and bill payables as at each reporting date:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	23,731	16,093	24,573	18,184
Bill payables	12,376	6,543	15,987	14,160
	36,107	22,636	40,560	32,344

The following is an aging analysis of trade and bill payables presented based on the invoice date at the end of the reporting period.

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current to 30 days	30,233	16,916	24,404	10,844
31 to 90 days	3,428	4,281	10,552	15,927
91 to 180 days	2,446	1,439	5,604	5,573
	36,107	22,636	40,560	32,344

The average credit period on purchases of goods is 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Included in the trade and bill payables are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	At 31 March 2015	2016	2017	At 30 June 2017
	HK$'000	HK$'000	HK$'000	HK$'000
EUR	10,254	8,770	24,088	16,382
USD	3,775	2,255	—	—
RMB	188	366	—	—

28. ACCRUALS AND OTHER PAYABLES

	At 31 March 2015	2016	2017	At 30 June 2017
	HK$'000	HK$'000	HK$'000	HK$'000
Accruals	1,509	701	1,033	1,423
Other payables	4,094	105	689	2,370
	5,603	806	1,722	3,793

Other payables are non-interest-bearing and payable on demand.

29. BANK BORROWINGS

	At 31 March 2015	2016	2017	At 30 June 2017
	HK$'000	HK$'000	HK$'000	HK$'000
Bank overdrafts	2,031	—	—	—
Bank borrowings	35,620	43,617	40,879	40,260
	37,651	43,617	40,879	40,260
Secured	32,155	35,377	35,314	35,079
Unsecured	5,496	8,240	5,565	5,181
	37,651	43,617	40,879	40,260

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	At 31 March 2015	2016	2017	At 30 June 2017
	HK$'000	HK$'000	HK$'000	HK$'000
On demand	2,031	—	—	—
Within one year	27,324	37,738	36,517	36,140
After one year but within two years	2,417	1,517	983	991
After two years but within five years	3,375	2,541	2,142	2,042
After five years	2,504	1,821	1,237	1,087
	37,651	43,617	40,879	40,260
Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause	8,296	5,879	4,362	4,120
Carrying amount repayable on demand or within one year	29,355	37,738	36,517	36,140
Amounts shown under current liabilities	37,651	43,617	40,879	40,260

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	881	923	617	508
After one year but within two years	923	617	522	527
After two years but within five years	1,680	1,626	1,688	1,705
After five years	2,384	1,821	1,237	1,087
	5,868	4,987	4,064	3,827

In addition, the Group has variable-rate borrowings which carry interest at (i) a range from 1% p.a. under the prime rate to 1.5% p.a. over the prime rate, (ii) a range from 0.5% p.a. over the bank's best lending rate to 1.5% p.a. over the bank's best lending rate, and (iii) 4% p.a. over the Hong Kong Interbank Offered Rate ("HIBOR") for each of the three financial years ended 31 March 2017 and the three months ended 30 June 2017. The contractual maturity dates are as follows:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	28,474	36,815	35,900	35,632
After one year but within two years	1,494	900	461	464
After two years but within five years	1,695	915	454	337
After five years	120	—	—	—
	31,783	38,630	36,815	36,433

The ranges of effective interest rates (which are also equal to contracted interest rates) per annum on the Group's borrowings are as follows:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Effective interest rate:				
Fixed-rate borrowings	3.75% to 5.5%	3.75% to 5.5%	3.75% to 5.5%	3.75%
Variable-rate borrowings	2.75% to 6.75%	2.75% to 6.75%	2.75% to 6.75%	2.75% to 6.75%

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, the Group obtained new bank borrowings in the amounts of approximately HK$1,600,000, HK$36,956,000, HK$35,000,000 and HK$21,400,000 respectively. The loans bear interest at market rates. The proceeds were used to finance the daily operation of the Group.

There is no non-cash movement during the Track Record Period.

The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	As 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Facility amount	39,562	50,000	52,055	52,600
Utilisations at the end of reporting period				
— Secured bank borrowings	32,155	35,377	35,314	35,079
— Unsecured bank borrowings	5,496	8,240	5,565	5,181
	37,651	43,617	40,879	40,260
Undrawn facility amount	1,911	6,383	11,176	12,340

As at 31 March 2015, 2016, 2017 and 30 June 2017, banking facilities were secured by assets pledged as set out in note 18 and 26 respectively:

- pledged bank deposits of the Group as set out in note 26;
- certain properties of a related company which is expected to be released upon listing of the Company;
- a property of the Company;
- unlimited personal guarantee provided by the directors of the Company and is expected to be released upon the listing of the Company; and
- HKSAR government guarantee.

30. CONTINGENCIES

As at 31 March 2015, 2016, 2017 and 30 June 2017, the Group's contingent liabilities were as follows:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Performance Bonds *(Note)*	—	1,772	3,892	3,892

Note: As at 31 March 2016, 2017 and 30 June 2017, the Group provided guarantee of performance bonds in its ordinary course of business. The performance bonds are expected to be released in accordance with the terms of the respective construction contract.

31. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2015, the Group leased two motor vehicles for administrative purpose. These leases are classified as finance leases with lease terms ranging from three to four years. The leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments. Interest rates underlying the obligations under these finance leases are fixed at the contract date at approximately 4.33% and 7.97% per annum, respectively.

	Minimum lease payments				Present value of minimum lease payments			
	At 31 March			At 30 June	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**	**2015**	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases								
Within one year	164	—	—	—	162	—	—	—
Less: future finance charges	(2)	—	—	—				
Present value of lease obligation	162	—	—	—				

The Company's obligations under finance leases are secured by the lessors' charge over the leased assets. The leases were fully settled during the year ended 31 March 2016.

32. DEFERRED TAX LIABILITY

The movements of the deferred tax (asset) liability during the current and prior years were as follows:

	Tax losses	Accelerated tax depreciation	Total
	HK$000	*HK$000*	*HK$000*
Deferred tax assets at 1 April 2014	(3,428)	82	(3,346)
Charge to profit or loss	3,428	(4)	3,424
Deferred tax liabilities at 31 March 2015 and 1 April 2015	—	78	78
Charge to profit or loss	—	11	11
Deferred tax liabilities at 31 March 2016 and 1 April 2016	—	89	89
Charge to profit or loss	—	29	29
Deferred tax liabilities at 31 March 2017, 1 April 2017 and 30 June 2017	—	118	118

33. SHARE CAPITAL AND RESERVES

(a) Share capital

For the purpose of presenting the share capital of the Group prior to the Reorganisation in the consolidated statements of financial position, the balance as at 1 April 2014 and 31 March 2015 represented the share capital of Kwan Tai HK of HK$5,000,000, which represented 5,000,000 issued and fully paid ordinary shares with HK$1 each.

On 23 December 2015, Kwan Tai Macau was incorporated and 25,000 ordinary shares of MOP1 each was issued to Mr. Lo Wing Cheung and Ms. Fung Pik Mei by proportion of 70% and 30%, respectively. The total share capital with the amount of MOP25,000 (equivalent to HK$24,000) was fully paid accordingly.

The share capital of the Group as at 31 March 2016 represented the aggregate amount of share capital of Kwan Tai HK of HK$5,000,000 and Kwan Tai Macau of HK$24,000.

On 20 January 2017, Helios was incorporated under the laws of the BVI with an authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On the same day, 7 and 3 shares of Helios were issued and allotted, credited as fully paid, to Mr. Lo Wing Cheung and Ms. Fung Pik Mei, respectively. Upon the said allotment, Helios is owned as to 70% and 30% by Mr. Lo Wing Cheung and Ms. Fung Pik Mei, respectively.

On 8 February 2017, the Company was incorporated under the laws of the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each. 1 share was issued and allotted, credited as fully paid, to the initial subscriber, which was subsequently transferred to Helios on the same day. Upon the said share transfer, the Company became a wholly-owned subsidiary of Helios.

On 20 January 2017, Fortuna was incorporated under the laws of the BVI with an authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On 28 February 2017, 1 share of Fortuna was issued and allotted, credited as fully-paid, to the Company. Upon the said allotment, Fortuna became a wholly-owned subsidiary of the Company.

On 14 March 2017 and 8 March 2017, Fortuna completed the acquisition of entire equity interests of Kwan Tai HK and Kwan Tai Macau from the Controlling Shareholders at a consideration of HK$44,572,118 by allotment and issuance of 9,999 new ordinary shares of the Company at par value of HK$0.01 and cash consideration of MOP25,000 (equivalent to approximately HK$24,000) by cash consideration, respectively. The consideration was determined and mutually agreed by the parties. Upon the completion of the acquisition, Kwan Tai HK and Kwan Tai Macau became direct wholly-owned subsidiaries of Fortuna and indirect wholly-owned subsidiaries of the Company.

On 31 March 2017, the share capital of the Group represented 10,000 shares with a par value of HK$0.01 each. The authorised share capital of the Group was HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each.

Details of the share capital of the Company are as follows:

	Number of shares	Amount	Shown in the Historical Financial Information
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised			
On 8 February 2017 (date of incorporation), 31 March 2017 and 30 June 2017	38,000,000	380,000	
Issued and allotted:			
On 8 February 2017 (date of incorporation)	1	0.01	—
Issued in consideration for the acquisition of the issued share capital of Kwan Tai HK	9,999	99.99	—
At 31 March 2017 and 30 June 2017	10,000	100	—

The share capital of the Group as at 31 March 2017 and 30 June 2017 represented the amount of share capital of the Company of HK$100.

(b) Reserves of the Company

	Accumulated losses	Capital reserve	Total
	HK$'000	*HK$'000*	*HK$'000*
On 8 February 2017 (date of incorporation)	—	—	—
Arising from the Reorganisation	—	44,572	44,572
Loss for the period and total comprehensive expense for the period	(25)	—	(25)
At 31 March 2017 and 1 April 2017	(25)	44,572*	44,547
Profit for the period and total comprehensive expense for the period	25	—	25
At 30 June 2017	—	44,572	44,572

* Capital reserve represented the difference between the nominal amount of the share capital and share premium of Kwan Tai HK and the nominal amount of the share capital issued by the Company pursuant to the Reorganisation.

34. INVESTMENTS IN SUBSIDIARIES

As at 31 March 2017 and 30 June 2017 and the date of this report, the Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place and date of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
			Directly	Indirectly	
Fortuna *(note i)*	BVI 20 January 2017	USD1	100%	—	Investment holding
Kwan Tai HK *(notes ii and iii)*	Hong Kong 26 August 1988	HK$5,000,000	—	100%	Trading of building materials and provision of construction and engineering services
Kwan Tai Macau *(note iv)*	Macau 23 December 2015	MOP25,000	—	100%	Provision of construction and engineering services

Notes:

(i) No statutory financial statements of Fortuna since its corporation as they are incorporated in the jurisdiction where there is no statutory audit requirement.

(ii) The statutory financial statements of Kwan Tai HK for the year ended 31 March 2015 and 2016 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Framework And Financial Reporting Standard issued by the HKICPA. The statutory auditors of the entity were W. O. Lo & Co. and YIP, LEUNG & CO. respectively.

(iii) No statutory financial statements of Kwan Tai HK has been prepared for the year ended 31 March 2017 as the financial statement has not yet been due for issue.

(iv) No statutory financial statements of Kwan Tai Macau have been prepared since it did not satisfy the Macau's statutory provisioning requirement.

35. PREPAYMENT FOR ACQUISITION OF PROPERTY

On 26 May 2017, the Company had entered into a provisional sale and purchase agreement with an independent third party for the acquisition of another warehouse in Hong Kong with a consideration of HK$20,429,000. Deposit and stamp duty was paid approximately HK$2,038,000 and 1,586,000 respectively on 14 June 2017. The transaction was completed on 4 August 2017.

36. OPERATING LEASES COMMITMENTS

The Group as lessee

At the end of the reporting period, the Company had commitments on office and directors' quarters for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 March			At 30 June
	2015	**2016**	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,080	923	3,023	2,808
In the second to fifth year inclusive	900	—	1,002	380
	1,980	923	4,025	3,188

Operating lease payments represent rentals payable by the Group for certain of its rented premises for office and directors' quarters. Leases are negotiated for terms ranging from one to three years with fixed rentals.

37. CAPITAL COMMITMENTS

As at 30 June 2017, the Group's capital commitments arising from the capital expenditure in respect of the acquisition of property contracted for but not provided for in the financial statements was approximately HK$18,400,000.

38. RETIREMENT BENEFITS PLAN

The Company operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Company (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,250 per month before 1 June 2014 and HK$1,500 per month, since 1 June 2014 onwards.

The total cost charged to profit or loss of approximately HK$152,000, HK$174,000, HK$235,000, HK$96,000 and HK$58,000 for the year ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017 and 2016 respectively, represents contributions payable to this scheme by the Group.

39. RELATED PARTY TRANSACTIONS

(a) Transactions

	Year ended 31 March			Three months ended 30 June	
	2015	**2016**	**2017**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of goods to:					
Tristar Building Materials Company	(8,887)	(487)	—	—	—
Mortgage loan interest reimbursed from:					
Sun Warm Holding Company Limited	(193)	(176)	(159)	(42)	(37)
Staff cost reimbursed to:					
Tristar Building Materials Company	4,686	4,731	2,075	1,190	—
Rental expenses paid to:					
Sun Warm Holding Company Limited	456	768	768	192	192

During the years ended 31 March 2015, 2016, 2017 and 30 June 2017, the beneficial owners of the related companies above-mentioned were Mr. Lo Wing Cheung and Ms. Fung Pik Mei.

(b) Balances

	At 31 March			At 30 June
	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from:				
Tristar Building Materials Company	12,595	6,476	6,769	—
Sun Warm Holding Company Limited	5,478	4,997	4,551	4,432
Well Treasures (Hong Kong) Limited	677	—	—	—
	18,750	11,473	11,320	4,432
Amounts due to:				
Sun Warm Engineering Company Limited	(9)	—	—	—
Charter Team Limited	(414)	—	—	—
	(423)	—	—	—

During the years ended 31 March 2015, 2016, 2017 and the three months ended 30 June 2017, the beneficial owners of the related companies above-mentioned were Mr. Lo Wing Cheung and Ms. Fung Pik Mei.

The above current accounts are non-trade in nature, unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during the respective reporting periods were as follows:

	Year ended 31 March			Three months ended 30 June	
	2015	2016	2017	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Short-term benefits	2,382	2,160	3,780	765	1,367
Post-employment benefits	35	36	61	14	26
	2,417	2,196	3,841	779	1,393

The remuneration of directors of the Company and key executives is determined having regard to the performance of individuals and market trends.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 4 August 2017, the Group completed the purchase from an Independent Third Party of a property in Hong Kong at a consideration of approximately HK$20,429,000 which was settled by (i) a deposit of approximately HK$2,043,000 paid on 14 June 2017; (ii) a bank loan of approximately HK$10,215,000 and (iii) a further payment of HK$8,171,000 on 3 August 2017.

(b) Pursuant to written resolutions of the Company's shareholders passed on 19 December 2017, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the Share Offer set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issue a total of 599,990,000 shares, by the way of capitalisation of the sum of HK$5,999,900 standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

(c) The Company has conditionally approved and adopted the share option scheme ("Share Option Scheme") on 19 December 2017. A summary of its principal terms are set out in the paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus. As at the reporting date, no option had been granted under the Share Option Scheme.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2017.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

This information set out in this Appendix does not form part of the Accountants' Report from the reporting accountants', SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section heading "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

29 December 2017

The Directors
Twintek Investment Holdings Limited
Room 806, 8/F., Eastern Center
1065 King's Road
Quarry Bay, Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Twintek Investment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2017 and related notes as set out on pages II-4 to II-5 of Appendix II to the prospectus (the "Prospectus") dated 29 December 2017 in connection with the proposed listing (the "Proposed Listing") of shares of the Company on The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages in Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Listing on the Group's net tangible assets as of 30 June 2017 as if the Proposed Listing had been taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial information for the year ended 30 June 2017, on which an accountants' report has been included in the Appendix I to the Prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") 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 requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 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 of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Proposed Listing on unadjusted financial information of the Group as if the Proposed Listing 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 Proposed Listing at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
Hong Kong

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, prepared in accordance with Rule 4.29 of the listing Rules and is for illustrative purpose only, and is set out below to illustrate the effect of the Proposed Listing on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 as if the Proposed Listing had taken place on 30 June 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group was prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2017, or at any future date following the Proposed Listing.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company**	**Unaudited pro forma adjusted net of the Group tangible assets attributable to the owners of the Company per share**
	HKD'000	*HKD'000*	*HKD'000*	*HKD*
	(note 1)	*(note 2)*		*(note 3)*
Based on an Offer Price of HK$0.52 per Share	60,676	79,512	140,188	0.18
Based on an Offer Price of HK$0.68 per Share	60,676	109,567	170,243	0.21

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 is extracted from the Accountants' Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2017 of approximately HK$60,676,000.

(2) The estimated net proceeds from the Share Offer are based on 200,000,000 new shares at the Offer Price of HK$0.52 and HK$0.68 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$4.8 million which have been accounted for prior to 30 June 2017) payable by the Company and takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme as described in the section headed "Statutory and general information —

D. Share Option Scheme'' of this prospectus or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed ''Share Capital'' in this prospectus.

(3) The unaudited pro forma net tangible assets of the Group attributable to owners of the Company per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 800,000,000 Shares were in issued assuming that the Share Offer has been completed on 30 June 2017 but takes no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme as described of this prospectus in the section headed ''Statutory and general information — D. Share Option Scheme'' of this prospectus or any Shares which may be allotted and issued or repurchased by the Company pursuant to general mandate to issue shares and general mandate to repurchase shares as described in the section headed ''Share Capital'' in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2017, and in particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group has not been adjusted to give effect to the acquisition of a new office (the ''Acquisition'') as mentioned in Note 40 of Appendix I, ''Events after the end of the reporting period'', which was completed in August 2017. The property is recognised using cost model. In the opinion of the directors of the Company, the acquisition would result in no effect in the Group's net tangible asset value attributable to shareholders of the Company before Proposed Listing.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 October 2017 of the properties located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6–8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

29 December 2017

The Directors
Twintek Investment Holdings Limited
Room 806, 8th Floor
Eastern Centre
No. 1065 King's Road
Quarry Bay
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Twintek Investment Holdings Limited (the "Company") for us to value the properties held by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2017 (the "valuation date").

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORISATIONS

In the course of our valuations, the portfolio of the properties are categorized into the following groups:

Group I — Property held by the Group for owner occupation in Hong Kong

Group II — Property held by the Group for investment in Hong Kong

VALUATION METHODOLOGIES

For the property in Group I, we have valued it on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the market. Appropriate adjustments have then been made to account for the differences between the property and the comparables in terms of location, size, time and other relevant factors.

For the property in Group II, we have adopted the Investment Approach by taking into account the current rent passing of the property being held under existing tenancy and the reversionary potential of the tenancy if it has been or would be let to tenant.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry of Hong Kong and have been provided with extracts of title documents and tenancy agreement. We have been advised by the Group that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumptions that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The site inspections were conducted by Mr. Edmund Cheng (MRICS) in March 2017 and Mr. Man Lam (MHKIS) in August 2017. We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of their services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, floor areas, identifications of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) and no allowances have been made for any exchange transfer.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note: Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of properties in Hong Kong.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2017 *HK$*	Interest attributable to the Group	Value attributable to the Group as at 31 October 2017 *HK$*
Group I — Property held by the Group for owner occupation in Hong Kong				
1.	Unit B4 on 11th Floor, Fortune Factory Building, No. 40 Lee Chung Street, Chai Wan, Hong Kong	11,500,000	100%	11,500,000
	Sub-total:	11,500,000		11,500,000
Group II — Property held by the Group for investment in Hong Kong				
2.	Unit 5 on 8th Floor, Eastern Centre, No. 1065 King's Road, Quarry Bay, Hong Kong	21,200,000	100%	21,200,000
	Sub-total:	21,200,000		21,200,000
	Grand-total:	32,700,000		32,700,000

VALUATION CERTIFICATE

Group I — Property held by the Group for owner occupation in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2017 *HK$*
1.	Unit B4 on 11th Floor, Fortune Factory Building, No. 40 Lee Chung Street, Chai Wan, Hong Kong 10/2,000th equal and undivided shares of and in Chai Wan Inland Lot Nos. 78 and 79	The property comprises an industrial unit on the 11th floor of a 25-storey industrial building completed in or about 1978. The saleable area of the property is approximately 2,655 sq.ft. The property is held under Conditions of Sale Nos. 10668 and 10680 for terms of 75 years renewable for further 75 years commencing on 28 June 1974 and 26 July 1974 respectively.	As at the valuation date, the property was occupied by the Group for storage use.	11,500,000 100% interest attributable to the Group: HK$11,500,000

Notes:

1. The registered owner of the property is Kwan Tai Engineering Co., Limited, a wholly-owned subsidiary of the Company, vide Memorial No. 05030700100091 dated 15 February 2005.

2. The property is subject to the following material encumbrances:

   a. Deed of Mutual Covenant with Plans vide Memorial No. UB1624261 dated 4 December 1978; and

   b. Mortgage in favour of Bank of China (Hong Kong) Limited vide Memorial No. 12041600510116 dated 30 March 2012.

3. The property is located within an "Other Specified Uses (BUSINESS)" zone under the Approved Chai Wan Outline Zoning Plan No. S/H20/23 gazetted on 15 September 2017.

VALUATION CERTIFICATE

Group II — Property held by the Group for investment in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2017 *HK$*
2.	Unit 5 on 8th Floor, Eastern Centre, No. 1065 King's Road, Quarry Bay, Hong Kong 14/2,808th equal and undivided shares of and in: (1) Sub-Section 1 of Section E of Quarry Bay Marine Lot No. 2 and the Extension Thereto (2) Sub-Section 1 of Section C of Quarry Bay Inland Lot No. 15	The property comprises an industrial unit on the 8th floor of a 24-storey industrial building completed in or about 1984. The gross floor area of the property is approximately 2,636 sq.ft. The property is held under two Government Leases for terms of 999 years commencing on 18 April 1900 and 2 February 1882 respectively.	As at the valuation date, the property was subject to a tenancy agreement for a term of two years commencing on 1 May 2016 at a monthly rent of HK$54,000 inclusive of rates, management fee and government rent.	21,200,000 100% interest attributable to the Group: HK$21,200,000

Notes:

1. The registered owner of the property is Kwan Tai Engineering Co., Limited, a wholly-owned subsidiary of the Company, vide Memorial No. 17081500840025 dated 4 August 2017 at a consideration of HK$20,429,000.

2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited vide Memorial No. 17081500840032 dated 4 August 2017.

3. The property is located within a "Commercial" zone under the Approved Quarry Bay Outline Zoning Plan No. S/H21/28 gazetted on 17 September 2010.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 MEMORANDUM OF ASSOCIATION

The Memorandum of Association was conditionally adopted on 19 December 2017 with effect from the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection".

2 ARTICLES OF ASSOCIATION

The Articles of Association were conditionally adopted on 19 December 2017 with effect from the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment 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 first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates 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.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths 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 specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association 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 held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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 in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 INTRODUCTION

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 INCORPORATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 February 2017 under the Companies Law. As such, its 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 size of its authorised share capital.

3 SHARE CAPITAL

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

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 premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia 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 a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(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) in 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;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any 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, 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.

Subject to the detailed provisions of the Companies Law, 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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 member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 DIVIDENDS AND DISTRIBUTIONS

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of 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 (see paragraph 3 above for details).

5 SHAREHOLDERS' SUITS

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 PROTECTION OF MINORITIES

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 DISPOSAL OF ASSETS

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 ACCOUNTING AND AUDITING REQUIREMENTS

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) 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.

9 REGISTER OF MEMBERS

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 INSPECTION OF BOOKS AND RECORDS

Members of a company will 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 of association.

11 SPECIAL RESOLUTIONS

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 SUBSIDIARY OWNING SHARES IN PARENT

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 MERGERS AND CONSOLIDATIONS

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) ''merger'' means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) ''consolidation'' means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 RECONSTRUCTIONS

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 TAKE-OVERS

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 LIQUIDATION

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 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.

19 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:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 28 February 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 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 EXCHANGE CONTROL

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 GENERAL

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising 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 delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI. 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/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 February 2017. Our Company has established a principal place of business in Hong Kong at Room 806, 8/F, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XVI of the Companies Ordinance on 9 June 2017. Mr. Lo and Ms. Fung have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is at Room 806, 8/F, Eastern Centre, 1065 King's Road, Quarry Bay, Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One fully-paid Share was allotted and issued to the initial subscriber, which was subsequently transferred to Helios on the same day at par value.

(b) On 16 March 2017, our Company allotted and issued 9,999 Shares, credited as fully-paid, to Helios as consideration for the acquisition of 3,500,000 and 1,500,000 shares in the share capital of Kwan Tai HK (being the entire issued share capital of Kwan Tai HK) from Mr. Lo and Ms. Fung respectively.

(c) On 25 May 2017, 100 and 100 fully-paid Shares were transferred by Helios to Ms. Lo and Mr. Oscar Lo, respectively, for considerations of HK$1.00 and HK$1.00.

(d) Pursuant to the written resolutions of our Shareholders passed on 19 December 2017, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares of a par value of HK$0.01 each by the creation of an additional of 1,962,000,000 Shares.

(e) Immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any Share which may be issued pursuant the Share Option Scheme), the total issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be HK$8,000,000 divided into 800,000,000 Shares of HK$0.01 each, fully-paid or credited as fully-paid, with 1,200,000,000 Shares which our Company is authorised to issue, remaining unissued.

(f) Other than pursuant to exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and the exercise of the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 19 December 2017" in this appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(g) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 19 December 2017

On 19 December 2017, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

(a) our Company approved and conditionally adopted the Memorandum and the Articles with effect from the Listing Date, the terms of which are summarised in Appendix IV to this prospectus;

(b) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of HK$0.01 each by the creation of an additional 1,962,000,000 Shares of HK$0.01 each, ranking *pari passu* with the existing Shares in all respects;

(c) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:

(i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares under the Share Offer to rank *pari passu* with the then existing Shares in all respects and such number of shares as may be allotted and issued pursuant to the exercise of any of the Over-allotment Option; and

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional 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$5,999,900 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 599,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 19 December 2017 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

(d) subject to the conditions set forth in the paragraph headed "Conditions of the Share Offer" in the section headed "Structure and Conditions of the Share Offer" in this prospectus being fulfilled, a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting; and

(e) subject to the conditions set forth in the paragraph headed "Conditions of the Share Offer" in the section headed "Structure and Conditions of the Share Offer" in this prospectus being fulfilled, a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, the Companies Law or any other applicable laws of the Cayman Islands to be held; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting; and

(f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Please refer to the paragraph headed "History, Reorganisation and corporate structure — Reorganisation" of this prospectus for further details.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganisation and corporate structure" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholder on 19 December 2017, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorising repurchase of Shares by our Company as described in the paragraphs headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on 19 December 2017".

(ii) Source of Funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws and regulations of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange prevailing from time to time.

Any repurchase by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares, being 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

(a) a share transfer agreement dated 8 March 2017 and entered into by Lo Wing Cheung, Fung Pik Mei and Fortuna Enterprise Holding Limited, pursuant to which Lo Wing Cheung and Fung Pik Mei transferred to Fortuna Enterprise Holding Limited shares in the nominal value of MOP17,500 and MOP7,500 respectively owned by them in Kwan Tai Engineering Co. Ltd., being the entire registered share capital of Kwan Tai Engineering Co. Ltd., at a consideration of MOP17,500 and MOP7,500, respectively;

(b) a share swap agreement dated 14 March 2017 and entered into by Lo Wing Cheung, Fung Pik Mei, our Company and Fortuna Enterprise Holding Limited pursuant to which Lo Wing Cheung and Fung Pik Mei transferred to Fortuna Enterprise Holding Limited at the direction of our Company 5,000,000 shares of Kwan Tai Engineering Co., Limited, representing the entire issued share capital of Kwan Tai Engineering Co., Limited, at a consideration of HK$44,572,118 satisfied in full by our Company allotting and issuing 9,999 Shares, credited as fully-paid, to Helios Enterprise Holding Limited at the direction of Lo Wing Cheung and Fung Pik Mei;

(c) the Deed of Indemnity;

(d) the Deed of Non-competition; and

(e) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

Trademark	Place of registration	Registrant	Class	Registration no.	Expiry date
HUGO	Hong Kong	Kwan Tai HK	19	300046944	13 July 2023
A B	Hong Kong	Kwan Tai HK	35, 37	303989729	11 December 2026
A Twintek B Twintek	Hong Kong	Kwan Tai HK	35, 37	304042403	8 February 2027

(b) Domain names

As at the Latest Practicable Date, our Group was the owner of the following domain name which was material to the business of our Group:

Domain name	Registrant	Expiry date
kwantaieng.com	Kwan Tai HK	26 July 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of interests

(a) Interests of our Directors and chief executive in the share capital, underlying shares and debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue, but taking into no account of any Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate, the interests and short positions of our Directors or chief executive of our Company in the share capital, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Interests in the Shares

Name of Director	Capacity/Nature	Number of Shares held (L) *(Note 1)*	Percentage of shareholding
Mr. Lo	Interest in a controlled corporation *(Note 2)*	588,000,000	73.5%
Ms. Fung	Interest in a controlled corporation *(Note 2)*	588,000,000	73.5%

Notes:

1. The letter "L" denotes long position in our Shares.

2. These 588,000,000 Shares are held by Helios, a company incorporated in the BVI and owned as to 70% by Mr. Lo and 30% by Ms. Fung. Therefore, Mr. Lo and Ms. Fung are deemed to be interested in all the Shares held by Helios for the purposes of the SFO.

(ii) Interests in shares of associated corporation of our Company

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held (L) *(Note)*	Percentage of shareholding
Mr. Lo	Helios	Beneficial owner	7	70%
Ms. Fung	Helios	Beneficial owner	3	30%

Note: The letter "L" denotes long position in the shares of the associated corporation of our Company.

(b) Interests of substantial and other Shareholders in the Shares and Underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be issued under the Over-allotment Option or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature	Number of Shares held (L) *(Note)*	Percentage of shareholding
Helios	Beneficial owner	588,000,000	73.5%

Note: The letter "L" denotes long position in our Shares.

2. Particulars of service contracts

Each of our Directors has entered into a service contract or an appointment letter (as the case maybe) with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and Articles.

3. Remuneration of Directors

(a) The aggregate remuneration paid by our Group to our Directors in respect of the three years ended 31 March 2017 and the three months ended 30 June 2017 were approximately HK$2.4 million, HK$2.2 million, HK$3.1 million and HK$0.9 million respectively.

(b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 will be approximately HK$3.9 million.

4. Agency fees or commissions received

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 39 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

(a) taking no account of any Shares which may be issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in

Appendix 10 to Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(c) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(e) none of our Directors or the experts named in the paragraph headed "Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

(g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 19 December 2017. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 19 December 2017:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) Who may join

Our Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**") to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of its subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which our Group holds an equity interest ("**Eligible Employee**");

(bb) any non-executive directors (including independent non-executive directors) of our Company, any Subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of our Group.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10.0% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 80,000,000 Shares) without taking into account any Shares which may be issued pursuant to exercise of the Over-allotment Option (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may issue a circular to our Shareholders and seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10.0% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to (v) (bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1.0% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options under the Share Option Scheme and any other schemes of our Group in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Without prejudice to (v)(bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the grantee of the options).

(bb) Without prejudice to (v)(aa) above, where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

i. representing in aggregate over 0.1% of the Shares in issue; and

ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by Shareholders of our Company in general meeting. Our Company must send a circular to our Shareholders. All proposed grantee, its associates and/or core connected persons concerned of our Company must abstain from voting at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by the Shareholders of our Company in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1.0 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank *pari passu* in all respects with the fully-paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in the Share Option Scheme include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to our knowledge until such information has been announced in accordance with the requirements of the Listing Rules. In particular, our Company may not make any offer during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of our Board for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to publish an announcement of its 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 announcement of the results.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was actually at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and (to the extent not already exercised) will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly-owned by Eligible Participants

If the grantee is a company wholly-owned by one or more Eligible Participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iv) any adjustment must be made in compliance with the Listing Rules and such applicable rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable rules, codes, guidance notes of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors. When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period for exercise of the options referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii); and

(cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the Stock Exchange granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by our Shareholders of our Company in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Stock Exchange required

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders (the "**Indemnifiers**") have, under the Deed of Indemnity, given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Share Offer becomes unconditional; or (ii) in respect of or by reference to any act, omission or transaction voluntarily effected by our Group not in the ordinary course of business on or before the date on which the Share Offer becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group or their respective directors and/or representatives as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group or their respective directors and/or representatives in relation to events occurred on or before the date on which the Share Offer becomes unconditional. The Indemnifiers will, however, not be liable for any taxation claim under the Deed of Indemnity to the extent that, among others:

(a) specific provision, reserve or allowance has been made for such taxation claim in the audited combined accounts of our Company or any other member of our Group for the Track Record Period; or

(b) the taxation claim arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or

(c) the taxation liability is caused by the act or omission of, or transaction voluntarily effected by any member of our Group which is carried or effected in the ordinary course of business after 30 June 2017 up to and including the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sponsor's fee in relation to the Listing is HK$4.8 million.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$47,600 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Ample Capital Limited	A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined under the SFO)
SHINEWING (HK) CPA Limited	Certified Public Accountants
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Nuno Simões & Associates	Macau legal advisers
Ipsos Limited	Industry consultant
BMI Appraisals Limited	Property valuer

7. Consents of experts

Each of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Maples Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. Material adverse change

Our Directors confirm that, saved as disclosed in the paragraph headed "Summary — Material adverse change", there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 30 June 2017 (being the date to which the latest audited financial statements of our Group were made up) and up to the date of this prospectus.

11. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) Within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;

(dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and

(ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option.

(ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

(iii) none of the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix:

(aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or

(bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.

(iv) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

(v) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;

(vi) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(vii) our Group has no outstanding convertible debt securities;

(viii) the English text of this prospectus shall prevail over the Chinese text; and

(ix) there is no arrangement under which future dividends are waived or agreed to be waived.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;

(ii) copies of each of the material contracts referred to in the section headed "Statutory and general information — B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus; and

(iii) the written consents referred to in the section headed "Statutory and general information — E. Other information — 7. Consents of experts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of CFN Lawyers in association with Broad & Bright at 27th Floor, Neich Tower, 128 Gloucester Road, Wan Chai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(1) the Memorandum and Articles of Association;

(2) the Accountants' Reports issued by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;

(3) the report issued by SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(4) the audited consolidated financial statements of our Group for each of the three financial years ended 31 March 2015, 2016 and 2017 and the three months ended 30 June 2017;

(5) the Industry Report;

(6) the letter, summary of values and valuation certificates relating to the property interest of our Group prepared by BMI Appraisals Limited, the text of which is set out in Appendix III to this prospectus;

(7) the letter of advice prepared by Maples and Calder (Hong Kong) LLP as to Cayman Islands law, summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;

(8) the Companies Law;

(9) the material contracts referred to in the section headed "Statutory and general information — B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus;

(10) the service contracts and letters of appointment referred to in the section headed "Statutory and general information — C. Further information about our Directors, substantial shareholders and experts — 2. Particulars of service contracts" in Appendix V to this prospectus;

(11) the rules of the Share Option Scheme; and

(12) the written consents referred to in the section headed "Statutory and general information — E. Other information — 7. Consents of experts" in Appendix V to this prospectus.

Twintek Investment Holdings Limited
乙德投資控股有限公司