

ACCEL GROUP HOLDINGS LIMITED

高陞集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1283

SHARE OFFER

Sole Sponsor

AmCap

Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator

 首盛資本集團
Alpha Financial Group

Joint Bookrunners and Joint Lead Managers

 首盛資本集團
Alpha Financial Group

 聯合證券
Head & Shoulders Securities

IMPORTANT

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

Accel Group Holdings Limited

高陸集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	: 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)
Maximum Offer Price	: HK\$0.75 per Offer Share plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1283

Sole Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Sole Global Coordinator



Joint Bookrunners



Joint Lead Managers



Co-lead Managers

Bluemount Securities Limited	ChaoShang Securities Limited	CIS Securities Asset Management Limited	Future Land Resources Securities Limited	Grand Moore Capital Limited	Grand Partners Securities Limited
Lego Securities Limited	Merdeka Capital Limited	Sinomax Securities Limited	Solomon Securities Limited	Yuzhou Financial Holdings Limited	

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

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

The final Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, 10 October 2019 and, in any event, not later than Tuesday, 15 October 2019. The Offer Price will be not more than HK\$0.75 and is currently expected to be not less than HK\$0.625. Applicants for Public Offer Shares are required to pay, on application, the maximum offer price of HK\$0.75 for each Public Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$0.75.

The Joint Bookrunners (for themselves and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer on Tuesday, 8 October 2019, cause to be published notices of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Such notices will also be available at our Company's website at www.chittathk.com and the website of the Stock Exchange at www.hkexnews.hk. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on or before Tuesday, 15 October 2019, the Share Offer will not become unconditional and will lapse immediately.

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

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers for, the Public Offer Shares, are subject to termination by the Joint Bookrunners (on behalf of the Public Offer Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details. The Share Offer will become unconditional at 8:00 a.m. on the Listing Date.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

EXPECTED TIMETABLE⁽¹⁾

We will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.chittathk.com if there is any change in the following expected timetable of the Public Offer.

2019⁽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 Tuesday, 8 October
- Application lists of the Public Offer open⁽²⁾ 11:45 a.m. on Tuesday, 8 October
- Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC⁽³⁾ 12:00 noon on Tuesday, 8 October
- Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on Tuesday, 8 October
- Application lists of the Public Offer close⁽²⁾ 12:00 noon on Tuesday, 8 October
- Expected Price Determination Date⁽⁴⁾ on or around Thursday, 10 October
- Announcement of the Offer Price, the indication of the levels of interest in the Placing, the results of applications in respect of the Public Offer and the results and basis of allotment of the Public Offer Shares under the Public Offer is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chittathk.com⁽⁶⁾ from Thursday, 17 October
- Results of allocations in the Public Offer will be available at www.tricor.com.hk/ipo/result and www.hkeipo.hk/iporesult with a "search by ID or Business Registration Number" function from Thursday, 17 October

EXPECTED TIMETABLE⁽¹⁾

2019⁽¹⁾

Announcement of results of allotment of the Public Offer (with successful applicants' identification document numbers, where applicable) available through a variety of channels as described in the paragraph headed "How to Apply for Public Offer Shares — 11. Publication of results" in this prospectus from Thursday, 17 October

Despatch/collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁵⁾⁽⁸⁾ Thursday, 17 October

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions and despatch/collection of refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer on or before⁽⁵⁾⁽⁶⁾ Thursday, 17 October

Dealings in Shares on the Stock Exchange to commence at. 9:00 a.m. on Friday, 18 October

The application for the Public Offer Shares will commence on Friday, 27 September 2019 through Tuesday, 8 October 2019. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Thursday, 17 October 2019. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 18 October 2019.

Notes:

- (1) Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set forth in the section headed "Structure and Conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the Stock Exchange website at www.hkexnews.hk and our website at www.chittathk.com.
- (2) 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 Tuesday, 8 October 2019, the application lists will not open and close on that day. Please see the paragraph headed "How to Apply for Public Offer Shares — 10. Effect of bad weather on the opening and closing of the application lists" in this prospectus. If the application lists do not open and close on Tuesday, 8 October 2019, the dates mentioned in this section headed "Expected Timetable" may be affected.

EXPECTED TIMETABLE⁽¹⁾

- (3) Applicants who apply by giving **electronic application instructions** to the 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” in this prospectus.
- (4) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Thursday, 10 October 2019 and, in any event, not later than Tuesday, 15 October 2019. If, for any reason, the final Offer Price is not agreed by us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer (including the Public Offer) will not proceed and will lapse.
- (5) Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 17 October 2019.

Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques, if any, in person but may not collect their Share certificates as such Share certificates will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS Investor Participant 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.

- (6) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website (www.hkeipo.hk) by ordinary post and at your own risk. 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 forth in “How to Apply for Public Offer Shares” in this prospectus.
- (7) None of the website or any of the information contained on the website forms part of this prospectus.
- (8) Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed “How to Apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 18 October 2019 provided that the Public Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Public Offer, please see the sections headed “How to Apply for Public Offer Shares” and “Structure and Conditions of the Share Offer” in this prospectus.

CONTENT

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Public 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 Offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in any other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of any such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Share Offer.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decided to invest in our Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

BUSINESS OVERVIEW

We are an established E&M engineering services provider in Hong Kong and our history can be traced back to 2000. Our E&M engineering services typically involve supply, installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems on a project-by-project basis. During the Track Record Period, we delivered our services as a first-tier or second-tier subcontractor and mainly served private residential property development projects in Hong Kong including such projects under certain well-known property developers and we had worked on a total of 84 E&M engineering projects with a total original contract sum of approximately HK\$1,804.2 million, among which 41 projects had been completed as at Latest Practicable Date. All projects undertaken by us during the Track Record Period and up to the Latest Practicable Date were located in Hong Kong. Further details of our projects are set out in the section headed “Business — Our projects” in this prospectus.

We aim to further enhance our operation by (i) expanding our market share and compete for more MVAC projects; and (ii) further strengthening our manpower through hiring more professional and supporting staff. Please refer to the section headed “Future plans and use of proceeds” for further details of our business strategies and future plans.

According to the Ipsos Report, the gross output value of the E&M engineering industry in Hong Kong increased from HK\$25.5 billion in 2013 to HK\$39.7 billion in 2018 at a CAGR of approximately 9.3%, with the expectation that the total gross output value of the E&M engineering industry will grow from HK\$41.4 billion to HK\$48.6 billion at a CAGR of approximately 5.5% from 2019 to 2022. In terms of competition, the E&M engineering industry in Hong Kong is highly fragmented and our Group accounted for a market share of approximately 0.8% to the industry revenue in for the year ended 31 March 2019. For the details on the market in which our Group operates, please refer to the section headed “Industry overview” in this prospectus.

SUMMARY

BUSINESS MODEL, CUSTOMERS, SUPPLIERS AND SUBCONTRACTOR AND OPERATION

During the Track Record Period, our Group undertook installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage system either as first-tier subcontractor, or as second-tier subcontractor. The following table sets forth the breakdown of our revenue by types of services during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue		Revenue		Revenue	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
MVAC systems	169,179	87.4	192,463	91.3	279,266	89.3
Electrical systems	11,602	6.0	11,403	5.4	30,411	9.7
Swimming pool, fountain and plumbing and drainage systems	12,854	6.6	6,938	3.3	3,055	1.0
Total	<u>193,635</u>	<u>100.0</u>	<u>210,804</u>	<u>100.0</u>	<u>312,732</u>	<u>100.0</u>

For being a first-tier subcontractor, we are generally nominated by property developers or selected by main contractors typically via tender by invitation. For being a second-tier subcontractor, we generally obtain projects from subcontractors via tender by invitation. Notwithstanding the identity of the project awarding party, be it a property developer by nomination, a main contractor or a subcontractor, projects are secured via similar tendering process. For further details, please refer to the paragraph headed “Business — Our Business Operations — Bidding phase” in this prospectus. For FY2017, FY2018 and FY2019, there were approximately two, eight and seven projects, with original contract sum of approximately HK\$170.1 million, HK\$519.8 million and HK\$332.9 million that were secured by nomination by property developers, respectively, and approximately 11, six and 12 projects, with original contract sum of approximately HK\$126.0 million, HK\$56.5 million and HK\$107.8 million were secured by tendering, respectively. The following table sets forth a breakdown of our revenue by our role as first-tier subcontractor and second-tier subcontractor during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue		Revenue		Revenue	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
First-tier subcontractor	146,033	75.4	164,002	77.8	281,417	90.0
Second-tier subcontractor	47,602	24.6	46,802	22.2	31,315	10.0
Total	<u>193,635</u>	<u>100.0</u>	<u>210,804</u>	<u>100.0</u>	<u>312,732</u>	<u>100.0</u>

SUMMARY

Our Group's E&M service contracts normally require our customers to make progress payments. Our project engineer would visit the project site and inspect the site progress to prepare progress report. The architects appointed by our customer will issue a progress certificate certifying the portion of works completed after our customers, quantity surveyor inspection. For FY2017, FY2018 and FY2019, our five largest customers accounted for approximately 87.8%, 70.0% and 61.1% of our revenue, respectively, and our largest customer accounted for approximately 27.4%, 27.2% and 18.7% of our revenue, respectively. Please refer to section headed "Business — Major customers" in this prospectus for further details of major customers.

During the Track Record Period, Customer F, one of our top five customers, was our overlapping customer and supplier. Our Directors confirmed that all of our services and purchases from Customer F and its Group were not inter-conditional, inter-related or otherwise considered as one transaction. For further details, please refer to the section headed "Business — Overlapping customers-suppliers" in this prospectus.

We source our major materials such as air-conditioning equipments and ventilation fans and other accessories such as cables and copper tubes from our suppliers. For FY2017, FY2018 and FY2019, purchases from our largest supplier amounted to approximately 12.9%, 7.9% and 5.5% of our total cost of services, respectively, while purchases from our five largest suppliers combined amounted to approximately 21.5%, 17.0% and 17.9% of our total cost of services, respectively. Depending on the scale of a project, the specific technicalities required, the required completion timeframe and our manpower availability, we may engage subcontractors to assist us in completing on-site works of our project. For FY2017, FY2018 and FY2019, we incurred subcontracting fees of approximately HK\$47.5 million, HK\$50.7 million and HK\$92.2 million, representing approximately 31.9%, 33.0% and 39.8%, respectively, of our cost of services. We do not enter into any long-term supply agreements with our suppliers and subcontractors and engaged them on a project-by-project basis. Please refer to the sections headed "Business — Major suppliers" and "Business — Major subcontractors" for further details of major suppliers and subcontractors.

Chit Shing and Shun Tat, which were among our five largest suppliers and subcontractors for each of the period constituting the Track Record Period, are parties related to Mr. Ko. Please refer to the paragraphs headed "Business — Suppliers — Major suppliers — Transactions with Chit Shing" and "Business — Subcontractors — Major Subcontractors — Transactions with Shun Tat" for further details.

SUMMARY

LICENCES AND PERMITS

As confirmed by our Licences Law Legal Counsel, our Group has obtained all material licences, permits and approvals required for carrying out our business activities during the Track Record Period and up to the Latest Practicable Date. Our Group had obtained the following licences, permits and approvals as at Latest Practicable Date:

Relevant Government departments or public organisations	Registrations and qualifications	Holder	Date of last registration	Expiry date
EMSD	Registered Electrical Contractor	Chit Tat	26 June 2017	3 July 2020
Construction Industry Council	Registered Subcontractor under the Registered Specialist Trade Contractors Scheme <ul style="list-style-type: none">— Electrical wiring— General electrical installation— Electrical control and power panel assembly— Fountain installation— HVAC pipe work— HVAC mechanical fitting— HVAC control— Sheet metal and ducting— Insulation— Plumbing— Swimming pool water treatment installation	Chit Tat	13 July 2019	12 July 2024

For further details, please refer to the section headed “Business — Licences and permits” in this prospectus.

Pricing of our service

Our projects are usually awarded by way of a competitive tender. When we prepare our tender submission for a prospective project, we will estimate the profit and gross profit margin in terms of monetary value and percentage. The price depends on various factors, including the scope, complexity and specifications of the projects, the estimated project cost (which mainly includes the direct labour cost, material costs and subcontractors costs based on the preliminary quotations from our suppliers and subcontractors), our relationship with the inviting party, and the market fee level.

SUMMARY

Backlog

Set out below shows the movement of backlog during the Track Record Period and as at the Latest Practicable Date:

	FY2017	FY2018	FY2019	Since 1 April 2019 and up to the Latest Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	263,979	376,645	734,296	907,575
Awarded contract sum	306,301	568,455	486,011	86,380
Revenue recognised	<u>(193,635)</u>	<u>(210,804)</u>	<u>(312,732)</u>	<u>(245,033)</u>
Ending value of backlog (Aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period)	<u>376,645</u>	<u>734,296</u>	<u>907,575</u>	<u>748,922</u>

The increasing trend of the awarded contract sum of the new projects was mainly due to the active tendering of our Group in the first-tier subcontractor projects in FY2017, where the first-tier subcontractor projects generally have larger contract sum than second-tier subcontractor projects due to the difference in scope of work. As such, our awarded contract sum of new projects increased from FY2017 to FY2018. Based on the knowledge and experience of our Directors, the awarded contract sum of new projects decreased in FY2019 mainly due to high competition in the market, as a result, we were only awarded seven contracts which exceed HK\$10.0 million in FY2019 compared to FY2018 which we were awarded 10 projects that were exceed HK\$10.0 million.

As at Latest Practicable Date, the total estimated remaining contract value amounted to approximately HK\$748.9 million, which we expect to recognise as revenue for approximately HK\$265.6 million, HK\$468.4 million and HK\$14.9 million for the three years ending 31 March 2022. For further information regarding our project pipeline, please refer to the section headed “Business — Our projects” in this prospectus.

COMPETITIVE STRENGTHS

Our executive Directors believe that our Group possess the following competitive advantages:

- We have a proven track record and capabilities in performing multiple types of works in the E&M engineering industry;
- We have established relationships with other participants along the E&M engineering service supply chain;
- We have an experienced management and professional team; and

SUMMARY

- We have a pool of construction workers;

For further details of our competitive strengths, please refer to the section headed “Business — Competitive strengths” in this prospectus.

BUSINESS MILESTONES

The selected key milestones in the development of our Group are as follows:

Year	Event
2000	Chit Tat was incorporated in Hong Kong by Mr. Ko and Ms. Cheung, and commenced its business of providing E&M engineering services. A residential development project in Ma Wan, Hong Kong with an aggregate contract sum of over HK\$10.2 million was awarded to us in the same year
2005	Chit Tat was first registered under Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme and the Voluntary Subcontractor Registration Scheme) of the Construction Industry Council
2016	We were awarded a project to supply and install MVAC and building management systems in Kau To Shan, Hong Kong with a contract value of approximately HK\$93 million
2017	We were awarded a project for a residential development in Tuen Mun, Hong Kong to supply and install MVAC systems with a total contract sum of over HK\$167 million

BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to enhance our market position as a preferred choice of first-tier MVAC system engineering subcontractor in Hong Kong through the key business strategies of (i) expanding our market share and compete for more first-tier subcontract projects; and (ii) further strengthening our manpower. For the details of our strategies, please refer to the section headed “Business — Business strategies” in this prospectus.

SUMMARY

LISTING EXPENSES

Assuming an Offer Price of HK\$0.6875 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total estimated listing related expenses in relation to the Share Offer is approximately HK\$37.5 million, of which approximately HK\$11.4 million were charged to our consolidated statements of profit or loss and other comprehensive income for FY2019. For the remaining expenses, we expect to charge approximately HK\$9.7 million to our income statements for the year ending 31 March 2020 and the balance of approximately HK\$16.4 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity. Our Group's financial performance and result of operation for the year ending 31 March 2020 will be affected by the listing expenses. However, the non-recurring listing expenses will not have continuing impact on our financial results.

REASONS FOR THE LISTING

Our Directors believe that the Listing will ensure sufficient capital strength and enhance our financial capacity to increase our business scale, profitability and market share while maintaining profit margin because (i) we have genuine funding needs for the expansion of our business due to additional capital required to capture business opportunities and increase our market share and we consider it would be difficult for our Group to obtain bank borrowings without personal guarantees and/or other collateral provided by our Controlling Shareholders; and (ii) a listing status will enhance our competitiveness to compete with our listed competitors. Please refer to the section headed "Future plans and use of proceeds — Reasons for the Listing" in this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS AND REASON FOR THE LISTING

Based on the Offer Price of HK\$0.6875 per Offer Share (being the mid-point of the indicative Offer Price range of the Share Offer), we estimate that the aggregate net proceeds from the Share Offer, assuming the Over-allotment Option is not exercised, after deducting related underwriting fees and estimated expenses in connection with the Share Offer will be approximately HK\$100.0 million. Our Directors presently intend to apply such net proceeds as follows:

Intended applications	Approximate amount of net proceeds
Purchasing performance bonds	HK\$34.4 million, or approximately 34.4%
MVAC procurement cost	HK\$47.3 million, or approximately 47.3%
Hiring additional staff	HK\$9.3 million, or approximately 9.3%
General working capital	HK\$9.0 million, or approximately 9.0%

Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further details on our implementation plan as well as detailed reasons for the Listing.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table summarizes the historical financial information of our Group during the Track Record Period, and should be read in conjunction with the historical financial information included in the Accountants' Report set out in Appendix I to this prospectus.

Highlights of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Revenue	193,635	210,804	312,732
Cost of services	<u>(148,574)</u>	<u>(153,513)</u>	<u>(231,718)</u>
Gross profit	45,061	57,291	81,014
Other income and expenses, net	4,530	674	2,121
Listing expenses	—	—	(11,395)
Administrative expenses	(12,777)	(14,445)	(14,850)
Finance costs	<u>(53)</u>	<u>(270)</u>	<u>(628)</u>
Profit before taxation	36,761	43,250	56,262
Income tax expense	<u>(5,456)</u>	<u>(7,181)</u>	<u>(10,867)</u>
Profit and total comprehensive income for the year	<u><u>31,305</u></u>	<u><u>36,069</u></u>	<u><u>45,395</u></u>

During the Track Record Period, our revenue represented contract revenue recognised for the provision of E&M engineering services to our clients, which amounted to approximately HK\$193.6 million, HK\$210.8 million and HK\$312.7 million for FY2017, FY2018 and FY2019, respectively. Our revenue increased from approximately HK\$193.6 million for FY2017 to approximately HK\$210.8 million for FY2018, mainly resulted from (i) the increase in the average project revenue on a year-on-year basis from approximately HK\$2.6 million for FY2017 to approximately HK\$3.0 million for FY2018; and (ii) the revenue from project with revenue contribution of over HK\$2.0 million increased by approximately HK\$12.9 million from approximately HK\$174.8 million for FY2017 to approximately HK\$187.7 million for FY2018. Our revenue further increased to approximately HK\$312.7 million for FY2019, representing an increase of approximately HK\$101.9 million or 48.4%. Such significant increase mainly resulted from (i) the increase in number of projects with revenue contribution of over HK\$5.0 million from 11 for FY2018 to 14 for FY2019; (ii) the increase in the average project revenue on year-on-year basis from HK\$3.0 million for FY2018 to approximately HK\$4.5 million for FY2019; (iii) the increase in the number of projects from 34 projects for FY2018 to 43 projects for FY2019; and (iv) the significant milestone progress in FY2019 of three projects, which involved relatively less work performed in FY2018, in Sha Tin, Tseung Kwan O and Tuen Mun.

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For FY2017, FY2018 and FY2019, our gross profit was approximately HK\$45.1 million, HK\$57.3 million and HK\$81.0 million respectively, and our gross profit margin was approximately 23.3%, 27.2% and 25.9%, respectively. Our gross profit margin increased from approximately 23.3% for FY2017 to approximately 27.2% for FY2018. Such increase mainly resulted from the increase in projects we worked on as first-tier subcontractor which generally has a higher gross profit margin than those acting as second-tier subcontractor mainly due to the additional work scope and the fact that we generally perform most of the subcontracting works which would generally be subcontracted out to lower-tier subcontractors by other first-tier subcontractors engaging in E&M engineering services.

For the details of the fluctuation of the above items, please refer to section headed “Financial information — Description of selected items of consolidated statements of profit or loss and other comprehensive income”.

Highlights of selected items of Consolidated Statements of Financial Position

	As at 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	2,939	9,545	12,445
Current assets	183,279	139,193	137,903
Current liabilities	70,843	97,535	43,217
Non-current liabilities	692	451	1,108
Net current assets	112,436	41,658	94,686
Net assets	114,683	50,752	106,023

As at 31 March 2017, 31 March 2018 and 31 March 2019, our Group recorded non-current assets of approximately HK\$2.9 million, HK\$9.5 million and HK\$12.4 million, respectively. The increase in non-current assets from approximately HK\$2.9 million as at 31 March 2017 to approximately HK\$9.5 million as at 31 March 2018 was mainly due to the payments for life insurance of approximately HK\$6.5 million in FY2018. The further increase in non-current assets from approximately HK\$9.5 million as at 31 March 2018 to approximately HK\$12.4 million as at 31 March 2019 was mainly due to the increase in property, plant and equipment of approximately HK\$2.4 million in FY2019.

As at 31 March 2017, 31 March 2018 and 31 March 2019, our Group recorded net current assets of approximately HK\$112.4 million, HK\$41.7 million and HK\$94.7 million, respectively. Our net current assets decreased from approximately HK\$112.4 million as at 31 March 2017 to approximately HK\$41.7 million as at 31 March 2018 was mainly due to the settlement in advances to a shareholder of our Company by dividend payable. The increase in net current assets as at 31 March 2019 as compared to that as at 31 March 2018 was mainly attributable to the effect of (i) increase in trade and other receivables, deposits and prepayments of approximately HK\$15.3 million as a result of increase in billings on certified works and volume of our projects; (ii) decrease in contract assets of approximately HK\$8.4 million; (iii) decrease in bank balances and cash of approximately HK\$8.2 million;

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(iv) decrease in trade, retention and bills payables and accruals of approximately HK\$3.2 million; (v) decrease in amount due to a shareholder of our Company of approximately HK\$9.9 million as the amount was waived; (vi) decrease in contract liabilities of approximately HK\$23.1 million due to change in the practice of customers; (vii) decrease in tax payable of HK\$9.1 million due to payment of income tax; and (viii) decrease in bank borrowings of approximately HK\$8.3 million.

As at 31 March 2017, 31 March 2018 and 31 March 2019, our Group recorded net assets of approximately HK\$114.7 million, HK\$50.8 million and HK\$106.0 million, respectively. Our net assets decreased from approximately HK\$114.7 million as at 31 March 2017 to approximately HK\$50.8 million as at 31 March 2018 was mainly due to the decrease in total assets of approximately HK\$37.5 million resulting from the dividend declared and paid to a shareholder of the Company during FY2018. Our net assets increased from approximately HK\$50.8 million as at 31 March 2018 to approximately HK\$106.0 million as at 31 March 2019 was mainly attributable to the decrease in total liabilities of approximately HK\$53.7 million resulting from the decrease in (i) amount due to a shareholder of the Company of approximately HK\$9.9 million due to dividend waived in March 2019, (ii) contract liabilities of approximately HK\$23.1 million, (iii) tax payable of approximately HK\$9.1 million and (iv) bank borrowing of approximately HK\$8.3 million.

For the details of fluctuation of the above items and other items, please refer to the section headed “Financial information — Description of selected items of the consolidated statements of financial position”.

Highlights of selected items of Consolidated Statements of Cash Flows

	FY2017	FY2018	FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	33,885	6,887	8,246
Net cash used in investing activities	(3,995)	(13,182)	(1,678)
Net cash generated from/(used in) financing activities	3,894	7,439	(13,842)
Net increase/(decrease) in cash and cash equivalents	33,784	1,144	(7,274)
Cash and cash equivalents at beginning of the year	7,196	40,980	42,124
Cash and cash equivalents at end of the year	40,980	42,124	34,850

For FY2019, our Group had net cash generated from operating activities of approximately HK\$8.2 million, primarily as a result of profit before taxation of approximately HK\$56.3 million, which was then adjusted for depreciation of approximately HK\$2.1 million, reversal of over-provision of tax penalty in respect of prior years of approximately HK\$1.5 million, finance costs of approximately HK\$0.6 million, Hong Kong profit tax paid of approximately HK\$20.0 million and net cash outflow in our working capital (representing net changes in our trade and other receivables, deposits, prepayments, contract assets and liabilities, trade, retention and bills payables and accruals between their opening and closing balances in the particular year as indicated) of approximately HK\$28.7 million. For FY2018, our Group had net cash generated from

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operating activities of approximately HK\$6.9 million, primarily as a result of profit before taxation of approximately HK\$43.3 million, which was then adjusted for depreciation of approximately HK\$2.4 million, finance costs of approximately HK\$270,000, interest income of approximately HK\$109,000, Hong Kong profit tax paid of approximately HK\$8.7 million and net cash outflow in our working capital of approximately HK\$30.3 million. For FY2017, our Group had net cash generated from operating activities of approximately HK\$33.9 million, primarily as a result of profit before taxation of approximately HK\$36.8 million, which was then adjusted for depreciation of approximately HK\$1.2 million, imputed interest income on non-current interest-free advances to a shareholder of approximately HK\$3.7 million, Hong Kong profit tax paid of approximately HK\$1.3 million and net cash inflow in our working capital of approximately HK\$0.8 million. Please refer to the section headed “Financial information — Cash flows” for further details.

SELECTED KEY FINANCIAL RATIOS

Set out below a summary of the key financial ratios of our Group during the Track Record Period:

	As at/Year ended 31 March		
	2017	2018	2019
Liquidity ratios			
Current ratio	2.59 times	1.43 times	3.19 times
Quick ratio	2.59 times	1.43 times	3.19 times
Capital adequacy ratios			
Gearing ratio ¹	2.1%	23.5%	3.3%
Debt to equity ratio ²	N/A	N/A	N/A
Interest coverage	694.6 times	161.2 times	90.6 times
Profitability ratios			
Return on assets	16.8%	24.3%	30.2%
Return on equity	27.3%	71.1%	42.8%
Net profit margin	16.2%	17.1%	14.5%

Notes:

1. Gearing ratio is calculated based on the total interest-bearing liabilities divided by the total equity as at the end of each reporting period and multiplied by 100%.
2. Debt to equity ratio is calculated based on the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period and multiplied by 100%. As no net debt was noted as at the date indicated above, the debt to equity ratio is not applicable.

For the details and the formula for each of the ratios set forth above, please refer to the section headed “Financial information — Other key financial ratios” in this prospectus.

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RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on servicing new residential property development projects as first-tier or second-tier subcontractor in Hong Kong and have been awarded three new projects. Please refer to the section headed “Business — Projects on hand” for further details. Furthermore, we have submitted 22 tenders awaiting tender result subsequent to the Track Record Period and up to the Latest Practicable Date. The financial and operational performance of our Group is dependent on, among others, the market conditions of the E&M engineering industry in Hong Kong. As at the Latest Practicable Date, all projects on hand have continued to contribute revenue to our Group and none of them have had any material interruption.

As at the Latest Practicable Date we have tendered for 17 first-tier subcontract projects and five second-tier subcontract projects which the results are not yet known. 15 such tenders require (i) MVAC and ancillary materials procurement cost; and/or (ii) performance bonds, as illustrated in the table below:

Project	Project type	First/second tier	Tender sum HK\$'000	Tender status	Expected date of award	Expected project commencement date	Expected project duration	Expected supplier payment terms	Expected general customer payment period from cost occurrence	MVAC and ancillary materials procurement cost HK\$'000	Performance bond HK\$'000
Prospect A	MVAC systems	First tier	148,800	Addressing post-submission tender queries	October/19	December/19	Three years	30 days	75 days	26,898	—
Prospect B	MVAC systems	First tier	39,280	Awaiting tender result	October/19	November/19	16 months	30 days	75 days	5,376	—
Prospect E	MVAC systems	First tier	478,000	Addressing post-submission tender queries	September/19	November/19	34 months	30 days	75 days	144,574	—
Prospect F	MVAC systems	First tier	33,888	Addressing post-submission tender queries	September/19	November/19	18 months	30 days	75 days	7,731	—
Prospect G	Electrical systems	First tier	62,388	Addressing post-submission tender queries	October/19	November/19	615 days	30 days	75 days	N/A	6,239
Prospect H	MVAC systems	First tier	186,865	Addressing post-submission tender queries	October/19	January/20	39 months	30 days	75 days	26,085	—
Prospect I	MVAC systems	First tier	73,680	Addressing post-submission tender queries	October/19	February/20	570 days	30 days	75 days	17,967	7,368
Prospect J	MVAC systems	Second tier	85,688	Addressing post-submission tender queries	October/19	February/20	570 days	30 days	75 days	34,089	8,569
Prospect K	MVAC systems	First tier	12,380	Submitted tender best offer	September/19	January/20	180 days	30 days	75 days	5,750	1,238
Prospect L	MVAC systems	First tier	32,388	Awaiting tender result	October/19	February/20	570 days	30 days	75 days	4,014	3,239
Prospect M	MVAC systems	First tier	83,688	Awaiting tender result	October/19	March/20	809 days	30 days	75 days	16,891	8,369
Prospect N	MVAC systems	First tier	25,680	Awaiting tender result	October/19	March/20	924 days	30 days	75 days	6,847	—
Prospect O	MVAC systems	Second tier	65,280	Addressing post-submission tender queries	December/19	February/20	657 days	30 days	75 days	16,128	6,528
Prospect P	MVAC systems	First tier	26,688	Addressing post-submission tender queries	December/19	February/20	570 days	30 days	75 days	7,538	2,669
Prospect Q	MVAC systems	First tier	61,889	Awaiting tender result	November/19	February/20	517 days	30 days	75 days	8,601	6,189
Total			<u>1,416,582</u>							<u>328,489</u>	<u>50,408</u>

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Please refer to the paragraph headed “Future plans and use of proceeds — Present position and outlook” in this prospectus for further details.

STATISTIC OF THE SHARE OFFER

	Based on an Offer Price of HK\$0.625 per Offer Share	Based on an Offer Price of HK\$0.75 per Offer Share
Market capitalisation of the Shares	HK\$500 million	HK\$600 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share ^(Note)	HK\$0.26	HK\$0.29

Note: The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share has been prepared with reference to certain estimation and adjustment. Further details are set out in Appendix II to this prospectus.

OUR SHAREHOLDERS

Controlling Shareholders and Substantial Shareholders

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of share options granted under the Share Option Scheme), Mr. Ko and Ms. Cheung, will together, through Lightspeed, hold approximately 75% of the entire issued share capital of our Company. As Mr. Ko, Ms. Cheung and Lightspeed are, directly or indirectly, entitled to exercise or control the exercise of 30% or more of the voting power at general meeting of our Company, they are regarded as our group of Controlling Shareholders. For further details, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

DIVIDENDS

We do not have a fixed dividend policy. Save for FY2018, we did not declare and pay any dividend in the Track Record Period. During FY2018, we declared interim dividend of approximately HK\$100.0 million to the then shareholders of Chit Tat, of which approximately HK\$90.1 million was set off against the maximum outstanding amount of the advances to shareholders during FY2018 and the remaining dividend of HK\$9.9 million was waived in March 2019. The maximum outstanding amount of the advances to shareholders during the Track Record Period was approximately HK\$76.8 million for FY2017, HK\$90.1 million for FY2018 and nil for FY2019. Dividends paid in prior periods may not be indicative of future dividend payment. We cannot guarantee when, if and in what form dividend will be paid in the future. For further details, please refer to the section headed “Financial information — Dividend” in this prospectus.

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RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. The relatively material risks encompass (i) our revenue derived from E&M engineering projects which are non-recurrent in nature and any failure of our Group to secure new projects would affect our operations and financial results; (ii) error or inaccurate estimation of project execution timeframe or costs may result in cost overruns or even losses; (iii) we rely on our major customers; (iv) our past revenue and profit margin may not be indicative of our future financial performance; and (v) failure by customers to make timely or full payment and working capital requirements associated with project works may lead to liquidity risk.

NON-COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had no non-compliance incident that would have a material adverse effect on our business, financial condition and results of operations taken as a whole.

NO MATERIAL ADVERSE CHANGE

Our Directors expect that the Listing expenses will have a negative impact on our net profit for the year ending 31 March 2020. Save for the Listing expenses for the year ending 31 March 2020, our Directors are of the view that there would not be a material adverse change in our financial results for the year ending 31 March 2020. Save for the above, our Directors confirm that there has been no material adverse change in our operation, financial or trading position or prospects since 31 March 2019, being the date of our latest audited financial statements as set forth in Appendix I to this prospectus, and up to the date of this prospectus.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Air Pollution Control Ordinance”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or where the context so requires, either of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 18 September 2019 with effect from the Listing Date and as amended, supplemented and otherwise modified from time to time, a summary of which is set out in the section headed “Summary of the constitution of our Company and the Cayman Islands company law” in Appendix III to this prospectus
“Ascend”	Ascend Group Holdings Limited, a company incorporated in the BVI with limited liability on 20 September 2018 and a direct wholly-owned subsidiary of our Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors of the Company
“Building Authority”	has the meaning ascribed to it under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“business day(s)”	any day(s) (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

DEFINITIONS

“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,999,800 new Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “A. Further information about our Group — 5. Resolutions in writing of our sole Shareholder passed on 18 September 2019” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
“CCASS Participant(s)”	CCASS Clearing Participant(s) or CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“Chit Tat”	Chit Tat Electrical Engineering Limited (捷達機電工程有限公司), a company incorporated in Hong Kong with limited liability on 18 February 2000 and an indirect wholly-owned subsidiary of our Company
“CIC” or “Construction Industry Council”	the Construction Industry Council in Hong Kong, a statutory body established on 1 February 2007 pursuant to Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“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”	Accel Group Holdings Limited (高陞集團控股有限公司) (which former dual foreign name was 高昇集團控股有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2018
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Workers Registration Ordinance”	the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means Mr. Ko, Ms. Cheung and Lightspeed, or any one of them
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 18 September 2019 and executed by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries as stated therein) regarding certain indemnities, particulars of which are set out under the paragraph headed “E. Other information — 2. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 18 September 2019 and executed by each of our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries as stated therein) regarding certain non-competition undertakings, as further described in the paragraph headed “Relationship with Controlling Shareholders — Non-competition undertakings” in this prospectus
“Director(s)”	the director(s) of our Company
“Electricity Ordinance”	the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Electricity (Registration) Regulations”	the Electricity (Registration) Regulations (Chapter 406D of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employees’ Compensation Ordinance” or “ECO”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“EMSD”	the Electrical and Mechanical Services Department of the Government
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“FY2017”	the financial year ended 31 March 2017
“FY2018”	the financial year ended 31 March 2018
“FY2019”	the financial year ended 31 March 2019
“Government”	the government of Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, “us” and “our”	our Company and, unless the context otherwise requires, all of its subsidiaries, or where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries and the business carried out by such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKAS 11”	Hong Kong Accounting Standard 11 — Construction contracts
“HKAS 17”	Hong Kong Accounting Standard 17 — Leases
“HKAS 18”	Hong Kong Accounting Standard 18 — Revenue
“HKAS 39”	Hong Kong Accounting Standard 39 — Financial Instruments: Recognition and Measurement

DEFINITIONS

“HKFRS 9”	Hong Kong Financial Reporting Standard 9 — Financial Instruments
“HKFRS 15”	Hong Kong Financial Reporting Standard 15 — Revenue from Contracts with Customers
“HKFRS 16”	Hong Kong Financial Reporting Standard 16 — Leases
“ HK eIPO White Form ”	the application of Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of our Company
“Immigration Ordinance”	the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquires, are independent of our Company or are not its connected person(s) within the meaning ascribed under the Listing Rules
“Ipsos”	Ipsos Limited, an independent market research and consulting party
“Ipsos Report”	the market research report prepared by Ipsos and commissioned by our Company

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“Joint Bookrunners”	Alpha Financial Group Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO and Head & Shoulders Securities Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 4 (Advising on Securities) regulated activities as defined under the SFO
“Joint Lead Managers”	Alpha Financial Group Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO, Head & Shoulders Securities Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 4 (Advising on Securities) regulated activities as defined under the SFO, AFG Securities Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO and I Win Securities Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO
“Latest Practicable Date”	18 September 2019, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information in this prospectus
“Licences Law Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Lightspeed”	Lightspeed Limited, a company incorporated in the BVI with limited liability on 19 October 2018 and is owned as to 70% by Mr. Ko and 30% by Ms. Cheung, being one of our Controlling Shareholders
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date expected to be on or about Friday, 18 October 2019, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

DEFINITIONS

“Mandatory Provident Fund Schemes Ordinance”	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company conditionally adopted on 18 September 2019 with effect from the Listing Date, as amended, supplemented or modified from time to time, a summary of which is set out in Appendix III to this prospectus
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Minor Works Regulation”	the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Mr. CK Ko”	Mr. Ko Angus Chun Kit (高俊傑), our non-executive Director, and the son of Mr. Ko and Ms. Cheung
“Mr. Ko”	Mr. Ko Lai Hung (高黎雄), our executive Director, the chairman of our Board, the chief executive officer of our Company, one of our Controlling Shareholders, the spouse of Ms. Cheung and the father of Mr. CK Ko
“Ms. Cheung”	Ms. Cheung Mei Lan (張美蘭), our executive Director, one of our Controlling Shareholders, the spouse of Mr. Ko and the mother of Mr. CK Ko
“Noise Control Ordinance”	the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Nomination Committee”	the nomination committee of our Board
“Occupational Safety and Health Ordinance”	the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupiers Liability Ordinance”	the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$0.75 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined as further described in the section headed “Structure and conditions of the Share Offer — Determination of the Offer Price” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares, together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by us to the Joint Bookrunners exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) pursuant to the Placing Underwriting Agreement, to be exercisable at any time from the date of the Placing Underwriting Agreement until 30 days after the last day for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 30,000,000 additional Offer Shares representing approximately 15% of the initial Offer Shares available under the Share Offer, at the Offer Price to cover, among other things, over-allocation in the Placing, if any
“Placing”	the offer of Placing Shares to as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	180,000,000 Offer Shares being initially offered by our Company pursuant to the Placing, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing and parties to the Placing Underwriting Agreement as described in the section headed “Underwriting — Placing” in the prospectus
“Placing Underwriting Agreement”	the placing underwriting agreement relating to the Placing, which is expected to be entered into on or about the Price Determination Date by, among others, our Company and the Placing Underwriters, as further described in the section headed “Underwriting” in this prospectus

DEFINITIONS

“PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purposes of this prospectus, references in this prospectus to the PRC exclude Hong Kong, Macau and Taiwan
“Price Determination Date”	the date, expected to be on or about Thursday, 10 October 2019 but no later than Tuesday, 15 October 2019, on which the Offer Price is to be fixed by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) for the purposes of the Share Offer
“Property Law Legal Counsel”	Ms. Yan Chi Yee Angie, barrister-at-law of Hong Kong
“Public Offer”	the offer for subscription or for sale of Offer Shares to the public in Hong Kong (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer”) at the Offer Price (plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Shares”	20,000,000 Offer Shares being initially offered by our Company pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer whose names are set out in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 26 September 2019 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, as further described in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the restructuring of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus

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“RSTCS” or “Registered Specialist Trade Contractors Scheme”	the Registered Specialist Trade Contractors Scheme of the CIC with effect from 1 April 2019
“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 Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 18 September 2019 for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme, a summary of the principal terms and conditions of which is set forth in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Share(s)”	ordinary share(s) in the share capital of our Company with par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s)
“Sole Global Coordinator”	Alpha Financial Group Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO
“Sole Sponsor”	Ample Capital Limited, a licensed corporation under the SFO to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
“SRS” or “Subcontractor Registration Scheme”	the Subcontractor Registration Scheme of the CIC, subsequently known as the Registered Specialist Trade Contractors Scheme of the CIC with effect from 1 April 2019
“Stabilising Managers”	Alpha Financial Group Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO and Head & Shoulders Securities Limited, a licensed corporation under the SFO to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 4 (Advising on Securities) regulated activities as defined under the SFO

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“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Stabilising Managers and Lightspeed on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tax Adviser”	RSM Tax Advisory (Hong Kong) Limited
“Track Record Period”	the period comprising FY2017, FY2018 and FY2019
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Waste Disposal Ordinance”	the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ WHITE Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Public Offer Shares to be issued in the applicants’ own names
“ YELLOW Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Public Offer Shares to be deposited directly into CCASS
“%”	per cent

DEFINITIONS

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

In this prospectus, all times refer to Hong Kong time. Unless otherwise specified, references to years in this prospectus are references to calendar years.

Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.

GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain technical terms used in this prospectus in connection with our Group and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“CAGR”	compound annual growth rate
“CIC” or “Construction Industry Council”	the Construction Industry Council in Hong Kong, a statutory body established on 1 February 2007 pursuant to the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“E&M engineering” or “E&M”	electrical and mechanical engineering
“EMSD”	the Electrical and Mechanical Services Department of the Government
“first-tier subcontractor(s)”	subcontractor(s) which directly participates in tender invitation of property developer or is designated as MVAC main contractor
“GDP”	gross domestic product
“letter of credit”	a letter issued by a bank guaranteeing that a buyer’s payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	the requirements set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customer and applicable regulatory requirements and aim to enhance customer satisfaction
“ISO 14001”	the requirements set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts
“MVAC” or “MVAC systems”	mechanical ventilation and air-conditioning systems
“NGO(s)”	non-governmental organisation(s)

GLOSSARY OF TECHNICAL TERMS

“OHSAS”	Occupational Health and Safety Advisory Services is an organisation based in the United Kingdom which provide occupational health and safety services
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“second-tier subcontractor(s)”	subcontractor(s) that undertakes projects from first-tier subcontractor(s)
“SRS”	the Subcontractor Registration Scheme of the CIC, subsequently known as the Registered Specialist Trade Contractors Scheme of the CIC with effect from 1 April 2019
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“variation order(s)”	order(s) placed by customer(s) during the course of project execution concerning variation to part of the works that is necessary for the completion of the project, which may include (i) additions, omissions, substitutions, alterations, and/or changes in the quality, form, character, kind, position, dimension or other aspect of the works; and (ii) changes to any sequence, method or timing of construction specified in the main contract

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You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorised into (i) risks relating to our Group's business and operations; (ii) risks relating to the industry in which we operate; and (iii) risks relating to the Share Offer. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS

Our revenue derived from E&M engineering projects which are non-recurrent in nature and any failure of our Group to secure new projects would affect our operations and financial results

Our revenue was derived from the provision of E&M engineering services on a project-by-project basis during the Track Record Period which is not recurring in nature. We did not enter into any long-term agreement or master service agreement with our customers during Track Record Period and up to the Latest Practicable Date and a vast majority of our projects during the Track Record Period were awarded through competitive tendering. We submit tenders for new projects from time to time and upon our submission of tender documents, it would be subject to our customers' decisions as to whether we can be awarded with the projects. Therefore, there is a risk that we may not succeed in tendering for new projects or there is a significant reduction of projects for tendering in the future. If, upon completion of our projects on hand, we are unable to secure new projects with comparable contract sums or at all, our revenue and financial position would be adversely affected. Moreover, there is no assurance that the terms and conditions of our future projects would be comparable to our existing projects. In a competitive tendering process, we may have to lower our service fees or offer more favourable terms to our customers in order to increase the attractiveness of our tenders. If we are unable to control our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected.

Furthermore, so far as our Directors are aware, some of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industry expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will continue to meet our customers' tendering requirements in the future and in which case we may not be granted new projects and our reputation, business operations, financial condition and results of operations may be adversely affected.

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In addition, for FY2017, FY2018, and FY2019 we achieved a tender success rate of approximately 35.0%, 36.4% and 32.7% respectively. There is no assurance that our Group could achieve the same or higher tender success rate in the future as we did in the past.

Error or inaccurate estimation of project execution timeframe or costs may result in cost overruns or even losses

Our E&M engineering projects are normally awarded through a competitive tendering process. We determine a tender price by estimating our costs taking into account factors including types of E&M engineering works involved, manpower required, project timeframe and estimated completion, availability of our construction workers, expected material cost and subcontracting cost involved and expected technical difficulties. In the event that we fail to accurately estimate the project costs or if there is any unforeseen factor leading to any increase in cost, we may be subject to cost overruns, which will in turn result in lower profit margin or even a loss for that project.

Inaccurate estimation on project schedule, project costs and unforeseen technical difficulties in our tender preparation process may result in cost overruns when we actually execute the awarded project. Many factors will affect the time taken and the costs actually involved in completing projects undertaken by us, such as shortage and cost escalation of labour and materials, adverse weather conditions, variations to the construction plans instructed by customers, threatened claims and material disputes with main contractors, subcontractors and suppliers, accidents, and changes in the Government's policies or update of relevant laws and regulations or industry standard. Other unforeseen problems or circumstances may also occur during project execution. If any of such factors arises and remains unresolved, completion of our project works may be delayed or we may be subject to cost overruns or our customers may even be entitled to unilaterally terminate the contract.

Moreover, property development project may be delayed because of delays from obtaining specific permits or approvals from relevant agencies or authorities of the Government, significant changes to architectural or layout designs of the property, changes in construction and/or time-to-market schedule of the property developer and other factors that are exogenous to us which may result in extension of our project timeframe and/or delay in our project commencement and/or completion time. Failure to complete our contracted E&M engineering works according to specifications and quality standards may result in disputes, contract termination, liabilities and/or lower-than-anticipated returns on the project concerned. Such delays or failure to complete and/or unilateral termination of a contract by customers may cause our revenue or profitability to be lower than we originally expected if we are not granted an extension of time. We cannot guarantee that we will not encounter cost overruns or delays in our current and future projects. If such cost overruns or delays occur, we may experience increases in costs exceeding our budget if we are unable to pass such cost increment to our customers or be required to pay liquidated damages, hence reduction in or elimination of the profits on our contracts.

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We rely on our major customers

For FY2017, FY2018 and FY2019, our five largest customers accounted for approximately 87.8%, 70.0% and 61.1% of our revenue, respectively, and our largest customer accounted for approximately 27.4%, 27.2% and 18.7% of our revenue, respectively.

There is no assurance that our major customers will maintain the current business relationship with us and engage us in the future. Any deterioration in the business relationship or termination of the existing business relationship with our major customers may adversely affect our financial position. We cannot guarantee that we will be able to diversify our customer base by obtaining significant number of new projects from potential customers.

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

For FY2017, FY2018 and FY2019, our revenue amounted to approximately HK\$193.6 million, HK\$210.8 million and HK\$312.7 million, respectively, while our gross profit amounted to approximately HK\$45.1 million, HK\$57.3 million and HK\$81.0 million (representing gross profit margin of approximately 23.3%, 27.2% and 25.9%, respectively) and our net profit amounted to approximately HK\$31.3 million, HK\$36.1 million and HK\$45.4 million, respectively (representing net profit margin of approximately 16.2%, 17.1% and 14.5%, respectively).

Given that our projects are contract-based and non-recurring in nature, our revenue and profit margin in respect of the relevant works projects depend on price of our tenders and unexpected obstacles of our works projects, such as the increase in length of contract period and costs of the works projects as well as the conditions of the relevant construction sites, there is no assurance that we will always be able to maintain similar level of profitability as we did during the Track Record Period.

Moreover, the trend of historical financial information of our Group is a mere analysis of our past performance and may not necessarily reflect our financial performance in the future which depends on our capability to secure new business opportunities and to control our costs. Profit margins of our projects may fluctuate from project to project due to factors such as the amount of labour and subcontracting services required, the complexity of technical requirements of our works, the geological conditions of the project sites, our bidding strategy and the competitive bidding environment from time to time.

Our ability to achieve or maintain profitability is also affected by market developments and competition. There is no assurance that the number of E&M engineering projects in Hong Kong will not decrease in the future. For instance, an economic downturn in Hong Kong where our Group operates may hold up construction plans. Further, according to the Ipsos Report, the general E&M contractors are facing relatively high competition due to the presence of a large number of contractors. There is no assurance that the competition and

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the downward pricing pressure in the E&M engineering and services market will not intensify. Therefore, there is no assurance that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

Our profitability may be affected by the potential increase in staff cost upon our planned recruitment of additional staff

Our Group intends to apply approximately 9.3% of our net proceeds from the Share Offer to hire additional operational staff for tendered prospective projects. For further details on our future plans and intended use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus. Based on the intended timing of deployment of the proceeds for recruitment of additional staff, it is estimated that our Group will incur additional staff costs of approximately HK\$9.3 million for FY2020 and FY2021.

Our planned investment in labour resources will increase our staff cost and operating expenses but there is no guarantee that our revenue will increase proportionately as a result of such investments. If we are unable to generate more revenue following such investments, our future profitability and financial performance may be adversely affected.

Failure by customers to make timely or full payment and working capital requirements associated with project works may lead to liquidity risk

Generally we receive progress payment from our customers on a monthly basis, with reference to the value of the works completed in the preceding month as certified by the relevant customers and/or surveyors engaged by the customers. In line with industry practice, there is generally a contract term for our customer to secure our Group’s due performance by holding up retention money from the progress payment. Please refer to the paragraph “Business — Customers — Major terms of engagement with our customers” in this prospectus for further details.

Contract assets primarily represent our rights to considerations from customers for our provision of E&M engineering services, which arise when (i) our Group completed the relevant services under such contracts but not yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts.

Due to the nature of our business, progress payments from our customers are paid to us periodically after our progress works are certified by our customers and after commencement of our project execution work. There is no assurance that we will be able to bill and receive the full amount of our contract assets as we may not be able to reach an agreement with our customers on the value of work done. Additionally, there is no assurance that our progress payments will always be certified and paid to us in full, or the retention money will be released by our customers to us in full on a timely manner. Failure to bill and receive the full amount of our contract assets and/or progress payments or

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failure by our customers to make remittance at all as a result of disputes over our works performed may have an adverse effect on our results of operation, financial position and liquidity position.

Moreover, some of our customers may require us to take out performance bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of our customers, which may result in the lock-up of a portion of our working capital for potentially a prolonged period of time and thereby affecting our liquidity position. For further details, please refer to the paragraph headed “Business — Customers — Major terms of engagement with our customers” in this prospectus. Our working capital and liquidity management will become more critical as we undertake projects of larger contract sum and/or projects with performance bond requirement. If we fail to properly manage our liquidity position in view of such increasing working capital requirements, our cash flows and financial position could be materially and adversely affected.

Our revenue may fluctuate period to period due to factors such as variation orders and the recoverability of contract assets

The aggregate amount of revenue that we are able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including additions, modifications or cancellations of certain contract works) placed by our customers from time to time during the course of the project. For FY2017, FY2018 and FY2019, the aggregate confirmed variation orders of our projects amounted to HK\$6.0 million, HK\$13.1 million and HK\$50.9 million, respectively, and their respective percentages to revenue were approximately 3.1%, 6.2% and 16.3%. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts.

Furthermore, the variation orders may relate to different aspects of works, including but not limited to (i) additions, substitutions, alterations, changes in quality, form, character, kind, position or dimension of works; and (ii) changes to the sequence, method or timing of works specified in the original contract. In addition, the variation orders may be of differing natures, complexities and time schedules. Therefore, the profit margin derived from projects after variation orders may vary and may not be as profitable as compared with the original contract. For further details of variation orders, please refer to the section headed “Business — Our business operations — Bidding phase — Variation orders” in this prospectus.

In addition, contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets arise when (i) our Group completed the relevant services under such contracts but not yet be certified by architects, surveyors or other representatives appointed by customers; or (ii) the customers withhold certain certified amounts payable to our Group as retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer. There is no assurance that

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we will be able to bill and receive the full amount of contract assets as we may not be able to reach a favourable agreement with customers, if at all on the value of our work done. If we are not able to do so, our results of operation, liquidity and financial position may be adversely affected, and accordingly, our revenue may fluctuate period to period.

As at 31 March 2017, 2018 and 2019, our contract assets amounted to approximately HK\$58.2 million, HK\$84.6 million and HK\$70.9 million, respectively, and we did not make any impairment loss on contract assets during the Track Record Period. Nonetheless, if our customers' financial position become worse in the future and it is likely that they could not settle our contract assets, impairment loss may be made and that may affect our profitability. As at the Latest Practicable Date, contract assets (excluding retention receivables) as of 31 March 2019 had been certified by our customers approximately HK\$30.2 million or approximately 91%. For further details, please refer to the section headed "Financial Information — Description of selected items of the consolidated statements of financial position — Contract assets/liabilities" in this prospectus.

We rely on our key management and technical personnel and our ability to attract and retain talented staff, shortage of skilled labour and increases in staff cost could adversely affect our operations

Our success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management and technical personnel with the requisite experience and/or industry expertise. In particular, our executive Directors, Mr. Ko and Ms. Cheung, and our project director Mr. Lam Ka Tak, are important to the operation of our Group. Details of their expertise and experience are set out in the section headed "Directors and senior management" in this prospectus.

According to the Ipsos Report, the construction industry has been confronted with the issue of labour shortage in recent years. The demand for workers in the E&M engineering industry was robust from 2013 to 2018 as a result of the rising demand for E&M engineering works, coupled with labour shortage within the industry, which continually drives the wage from 2013 to 2018 according to the Ipsos Report. According to the Ipsos Report, the average daily wage of a worker in the E&M engineering industry in Hong Kong grew from approximately HK\$856.7 in 2013 to approximately HK\$1,113.5 in 2018, at a CAGR of 5.4%.

For FY2017, FY2018 and FY2019, our direct labour costs accounted for approximately 24.7%, 25.3% and 21.8% of our total cost of services, respectively. We cannot assure you that our remuneration package for our employees will remain as competitive as our competitors. Further, there has been a growing shortage of labour, especially skilled labour, in Hong Kong. Our total staff turnover rate was approximately 38.3%, 35.8% and 38.4% for FY2017, FY2018 and FY2019, respectively.

If any of our executive Directors or key technical personnel staff ceases to work for us in the future, we might not be able to find a suitable replacement in a timely manner or at all. There is no guarantee that we will be able to attract and retain our current personnel or

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that they will not resign in the future. If we are unable to retain our staff in the future, there could be an adverse impact on our business, results of operation and profitability of our Group.

If we experience any shortage of labour or significant increase in labour cost to the extent that we are not able to offset such increase by reducing other costs or passing it on to our customers, our business, financial conditions and results of operations may be materially and adversely affected.

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

While we maintain our group of workers to provide quality services, we may delegate part of our works to other subcontractors under the supervision and management of our project management team. For FY2017, FY2018 and FY2019, subcontracting fees incurred by us amounted to approximately HK\$47.5 million, HK\$50.7 million and HK\$92.2 million, representing 31.9%, 33.0% and 39.8% of our total costs of services, respectively.

There is no assurance that we are able to monitor the performance of these subcontractors as directly and efficiently as with our own direct labours. If our subcontractors fail to carry out their works in accordance with our requirements and prescribed schedule, we may experience delay in project completion. We may also face claims arising from latent defects caused by our subcontractors which we did not discover in the past. In the event that we are unable to locate these subcontractors to rectify the defect, if it is rectifiable, or if we fail to hold them liable or obtain compensation from them, we may have to incur significant time and costs to carry out remedial actions. We may even face litigations against us.

Furthermore, our subcontractors may be exposed to charges in relation to violation of safety, environmental and/or employment laws and regulations which may affect their renewal of relevant licences or may even lead to revocation of their licences. If this happens during our project execution, we may have to appoint another subcontractor for replacement and additional time and costs may be incurred.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may sometimes be subject to prosecutions as primary defendant by relevant authorities. For instance, under the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong), if a subcontractor employs an illegal immigrant on a construction site, the construction site controller (including but not limited to the principal or main contractor and the subcontractor) may be found to have committed an offence and liable to a fine. In addition, we may be liable to claims for losses and damages, if such violations cause any personal injuries/death or damage to properties. Moreover, pursuant to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), a principal contractor or a main contractor and every tier of subcontractors shall be jointly and severally liable to

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pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may thereby be adversely affected if any of our subcontractors violate their obligations to pay their employees.

In addition, we may not be able to engage suitable subcontractors for our new projects in the future. As at the Latest Practicable Date, we had not entered into any long-term service agreement with our subcontractors. Our existing subcontractors have no obligation to accept our proposed engagement in the future. If we fail to engage suitable subcontractors to meet our project needs and requirements, our operations and financial position will be adversely affected.

We may be liable to compensate our customers for losses and expenses incurred as a result of our failure to complete works on time

Our customers normally require us to complete our works within a specified period of time or in accordance with their project schedule. If we fail to do so, we may be liable to compensate our customers at a specified rate on a daily basis unless an extension of time is agreed with our customers.

There is no assurance that such project delay will not happen in the future. Any failure in the completion of a project within the requisite timeframe, be it caused by us or our subcontractors, could result in us being held liable to pay significant amount of compensation, or in the least harm our reputation in the industry and hinder our ability to win future business. Consequently, our reputation, business and financial performance could be adversely affected.

Our insurance may not fully cover all the potential losses arising from our business

Our Group is exposed to certain types of liabilities, such as potential claims arising from latent defects liability, estimation and management of costs, subcontractors' performance, liquidity risk, collectability of our trade and retention receivables and liabilities arising from natural disasters, political unrest, wars and terrorists, which are beyond our Group's control and generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. For further details, please refer to the paragraph headed "Business — Insurance" of this prospectus. In the event that an uninsured liability arises, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

We also cannot guarantee that our insurance premiums will not rise or we will not be required by law or our customers to obtain additional insurance coverage. Any significant increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage in the future may materially and adversely affect our business operations and financial results.

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We depend on the quality and supply of our suppliers and material increases in costs of materials and accessories and substandard materials may have an adverse impact on our financial results

We work closely with our major suppliers for our business operations, being the suppliers of air conditioners, thermo ventilators, ventilators ducts and other ancillary accessories in Hong Kong. We are dependent on the quality and continued supply of these material and accessories by our suppliers to maintain the provision of our E&M engineering services. For FY2017, FY2018 and FY2019, the total cost of materials recognised in total cost of services were approximately HK\$62.8 million, HK\$58.1 million and HK\$82.6 million, representing approximately 42.2%, 37.8% and 35.6% of our total cost of services, respectively.

There is no guarantee that the quality of materials and accessories for the E&M engineering works supplied to our Group meets our required standards for reasons which are beyond our control, and we may be forced to replace these materials and accessories from other suppliers at additional costs or be subject to time delay. Further, if we are unable to factor in these potential fluctuations into each of our tenders or quotations and pass on a part or the whole of any additional costs to our customers or reduce other costs, our financial results and position may be materially and negatively affected.

Furthermore, we had not entered into any long-term agreements with any of our suppliers of materials and accessories (including E&M systems manufacturers or distributors) during the Track Record Period. Therefore, we cannot guarantee that we can continue to receive stable and quality supply of materials, accessories from our existing suppliers. If our major suppliers cease to operate, we may have to source from alternative suppliers. There is no assurance that we can source from alternative suppliers with similar costs and quality and it may affect our profitability and financial performance.

We are subject to credit risk in respect of our trade receivables, retention receivables and contract assets and we may experience delays or defaults in collecting our receivables

We normally make monthly payment applications to our customers in respect of the value of the works we have performed in the preceding month, and subject to our customer's confirmations (i.e., payment certificates), thereafter we will proceed with issuing relevant invoices with a credit period. In general, we offer a credit period of 7 days to 90 days to our customers on progress payments. Our trade receivables turnover days were 14.9 days, 27.4 days and 28.4 days for FY2017, FY2018 and FY2019 respectively, and there can be no assurance that our customers will settle our invoices on time and in full.

In addition, when undertaking project works, our customers may, depending on the contract terms, hold up a certain percentage of each payment made to us as retention money. Such percentage is generally 5%–10% of the total contract sum of the project. In general, there is a term of our contract that 50% of the retention money withheld will be released to us upon issuance of practical completion certificate of the project and the remaining 50% of the retention money will be released upon expiry of the defects liability period of a project. However, there can be no assurance that such retention money will be released by our customers to us on a timely basis and in full accordingly. If our customer

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delays or default in payment, or fails to release our retention receivables as scheduled, our cash flow and working capital may be materially and adversely affected. Any significant impairment in our trade receivables and retention receivables as a result of significant uncertainty in recoverability or customers' defaults or otherwise could adversely affect our cash flow and liquidity, our financial conditions and results of operation.

Furthermore, contract assets primarily represent our rights to considerations from customers for our provision of E&M engineering services, which arise when (i) our Group completed the relevant services under such contracts but not yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain amounts payable to our Group as retention money to secure the due performance of the contracts. There is no assurance that we will be able to bill and receive the full amount of our contract assets as we may not be able to reach an agreement with our customers on the value of work done.

As at 31 March 2017, 31 March 2018 and 31 March 2019, we recorded trade receivables of approximately HK\$12.3 million, HK\$19.3 million and HK\$29.4 million, respectively, retention receivables of approximately HK\$27.6 million, HK\$32.4 million and HK\$37.8 million, respectively, and contract assets of approximately HK\$44.7 million, HK\$76.2 million and HK\$67.8 million, respectively. Any difficulty in collecting a substantial portion of our trade receivables, retention receivables and contract assets could materially and adversely affect our cash flows and financial position.

We had concentration of credit risk in a few customers. As at 31 March 2017, 31 March 2018 and 31 March 2019, approximately 90.1%, 70.0% and 38.1% of our Group's total trade receivables were attributable to our Group's top five customers respectively.

We have historically received other income of which is non-recurring in nature and there can be no assurances that we will continue to receive such non-recurring income

During the Track Record Period, we have recorded other income which is non-recurring in nature including management fee income, construction safety supervising service income, insurance compensation for damaged works at site and staff injury, imputed interest on non-current interest-free advances to a Shareholder and interest on life insurance and reversal of over-provision of tax penalty in respect of prior years, amounting to approximately a total of HK\$4.4 million, HK\$566,000 and HK\$1.8 million for FY2017, FY2018 and FY2019 respectively. Please refer to the section headed "Financial Information — Description of selected items of consolidated statements of profit or loss and other comprehensive income — Other income and expenses, net" for further details. We cannot guarantee we will continue to receive such non-recurring other income in the future. If we record a material decrease in the amount of our other income or we cannot generate such income at all, our results of operation and financial position might be adversely affected.

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We are exposed to claims arising from latent defects liability

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

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

We are subject to environmental liability

Our business is subject to the environmental regulations and guidelines issued by the Government. Such regulations and guidelines may be amended by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines could impose additional cost and burden to us.

In the event that our Group fails to comply with these environmental laws and regulations, it may cause delays in the progress of our projects and lead to a negative impact on our public image and reputation, either of which could adversely affect our Group's business operations and financial performance. In addition, any violation of the relevant laws and regulations may lead to substantial fines, clean-up costs and environmental liabilities or even suspension of operations that could materially and adversely affect the operating results and prospects of our Group. For further details of these laws, regulations and standard, please refer to the section headed "Regulatory overview" in this prospectus.

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

We cannot assure that our implementation of all safety measures and procedures can prevent occurrence of accidents. For each of FY2017, FY2018 and FY2019, we had nil, nil and three reported accidents involving employees of our Group and our subcontractors. Moreover, we cannot guarantee that our employees or subcontractors will not violate any applicable laws, rules, regulations or our internal work and safety policy. If any of such employees or subcontractors fails to comply with our safety measures at the construction sites, personal injuries, property damage or fatal accidents may occur in greater numbers and/or to a serious extent. We may also be exposed to claims and litigations if accidents occur on our work sites. Please refer to the paragraph headed "Business — Occupational health and work safety — System of recording and handling accidents and our safety compliance record" in this prospectus for further details on the workplace accidents we encountered during the Track Record Period. These may adversely affect the financial

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position of our Group to the extent not fully recoverable from our insurance policies. They may also cause our relevant licence(s) and/or certification(s) to be suspended or not renewed.

Project-related disputes and litigation may affect our performance

It is not uncommon in the E&M industry to have project-related disputes and litigation. We may be in disputes with our customers, subcontractors, suppliers, direct labours and other parties in connection with our projects for various reasons. Such disputes may be in connection with late completion of works, delivery of substandard works, personal injuries or labour compensation in relation to the projects. Our performance may be adversely affected by such disputes and litigation. Please refer to the paragraph headed “Business — Litigation and potential claims” in this prospectus for further details on litigation and potential claims we encountered for the three years ended 31 March 2019 and up to the Latest Practicable Date.

Should any claims against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

In addition, the handling of contractual disputes, litigation and other legal proceedings may sometimes involve a high degree of our management’s attention and input. The outcomes of legal proceedings or disputes are influenced by, among others, negotiation skills, knowledge and judgment of our management. Our Group, to a large extent, relies on the relevant expertise and qualification of our management (including our executive Directors) in dealing with contractual disputes, litigation and arbitration. Handling of legal proceedings and disputes can hence be both costly and time-consuming, and may significantly divert the efforts and resources of our management, thereby may adversely affect our results of operation and financial position.

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

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies as set out in the paragraph headed “Business — Business strategies” in this prospectus. However, our plans and strategies may be hindered by risks including but not limited to those mentioned in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully. Any failure in maintaining our current market position or implementing our plans within the expected timeframe or the estimated budget could materially and adversely affect our business, financial condition and results of operations.

Our Group’s operations may be affected by inclement weather conditions and are subject to risks of force majeure events

As our E&M engineering services generally involve outdoor installation work, our work progress may be obstructed or delayed due to adverse weather conditions. If inclement weather conditions persist or a natural disaster occurs, we may be prevented from performing on-site works, and thereby fail to meet specified time schedule. If we have to

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halt operations during inclement weather conditions or a natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, severe respiratory syndrome, Ebola virus disease and Zika virus disease), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and business operations will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers and subcontractors.

We need to maintain necessary qualifications and registrations for the operation of our business in Hong Kong

We are required to maintain certain qualifications and registrations to operate our E&M engineering services business in Hong Kong. Please refer to the paragraph headed “Business — Licences and permits” in this prospectus for additional information. To maintain such qualifications and registrations, we must comply with the restrictions and conditions imposed by the relevant authorities. Please refer to the section headed “Regulatory overview” in this prospectus for further details.

The standards of restrictions and conditions imposed by the relevant authorities on qualifications and registrations may vary from time to time without advance notice and we cannot assure that we will be able to duly comply with such changes in a timely manner. If we fail to comply with any of these restrictions or conditions, our qualifications and registrations could be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of the terms may be delayed or refused. Furthermore, these qualifications or registrations are valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant authorities. In case we fail to apply for their renewal in a timely manner when they fall due or the relevant authorities take out disciplinary actions against us for any non-compliance in the future, the renewal of our qualifications or registrations upon expiry of their terms may be delayed or even refused. Losing any of these registrations, licences and certifications may result in suspension of our operations, which would have a direct material impact on our business operations and financial conditions.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Our performance depends on the trends and developments of the property development market in Hong Kong

The future growth and level of profitability of the E&M engineering and services industry in Hong Kong depend to a significant extent upon the continued availability of construction projects in general, and more particularly to our Group, property development projects. The availability of construction and property development projects from the public sector or private sector will be determined by the interplay of a variety of factors. These factors include the Government’s spending patterns on construction and

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infrastructure in Hong Kong and its land supply policy, the approval of the Legislative Council of Hong Kong, and the investment plans and strategies of property developers. If there is any change in Hong Kong's land supply policy, it will impact land acquisition strategies and property development plans of property developers, which in turn will impact the demand for E&M engineering works in Hong Kong and consequently our operations and profitability could be adversely affected.

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

Our operations are principally located in Hong Kong. The future growth and level of profitability of the E&M engineering and services industry in Hong Kong depend on the general conditions and prospects of Hong Kong's economy. If there is any recurrence of recession in Hong Kong, our operations and profitability could be adversely affected. In addition, any change in the existing political environment in Hong Kong may bring about instability of its economy, which will adversely affect the business environment of Hong Kong and in turn adversely affect our operations, financial conditions and profitability.

We operate in a relatively competitive environment

The E&M engineering and services industry in Hong Kong is competitive. As of the Latest Practicable Date, there were 549 subcontractors engaging in MVAC or related engineering works registered under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme and the Voluntary Subcontractor Registration Scheme) managed by CIC as registered subcontractor for E&M engineering services in Hong Kong. Some of the major market players may have significantly more resources and are better positioned than our Group, including but not limited to having better financing capabilities, being more developed and/or having more advanced technical expertise. New participants may wish to enter the industry provided that they have the appropriate skills, local industry knowledge and experience, necessary capital and are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

Rising costs of construction workers and shortage of labour may increase our costs and affect our performance

E&M engineering works are generally labour-intensive in nature. However, according to the Ipsos Report, the E&M engineering and services industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. Although the Government and CIC have made considerable efforts in recent years to train local skilled workers and enhance the industry's professional image and have attracted many new entrants to the industry, the keen demand has yet to be met. According to the Ipsos Report, the average daily wages of workers in E&M engineering industry in Hong Kong increased from approximately HK\$856.7 in 2013 to approximately HK\$1,113.5 in 2018, representing a CAGR of approximately 5.4%, mainly due to rising demand for E&M

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engineering works complied with labour shortage within the industry. If labour costs in Hong Kong keep increasing, our costs may increase significantly in the future, which could materially and adversely affect our business operations and financial conditions.

Moreover, there is no assurance that the supply of labour will be sufficient during the forthcoming years when the peak load of construction activities is ongoing. All labour intensive projects are more susceptible to labour shortage, and our subcontracting fees including labour costs of our subcontractors may escalate. If there is a significant increase in the costs of labour and we have to retain our labour (likewise our subcontractors retain their labour) by increasing their wages, our staff cost and/or subcontracting cost will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to timely complete our projects, resulting in liquidated damages and/or financial losses.

RISKS RELATING TO THE SHARE OFFER

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

Prior to the Listing, there has been no public market for the Shares. The Offer Price is the result of negotiations between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), and may be different from the market prices for the Shares after the Listing. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- our financial results;
- changes in securities analysts', if any, analysis of our financial performance;
- the history of, and the prospects for us and the industries which we compete;
- an assessment of our management, our past and present operations, and the prospects for and timing of our future revenue and cost structures such as the views of independent research analysts, if any;
- addition or departure of our key personnel;
- the present state of our developments;
- the valuation of publicly traded company that are engaged in business activities similar to ours;
- general market sentiment;
- our inability to compete effectively in the market;

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- changes in laws and regulations in Hong Kong; and
- political economic, financial and social developments in Hong Kong.

If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of Shares could be materially and adversely affected.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders

Immediately following completion of the Share Offer, without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or Shares which may be issued upon exercise of any option which may be granted under the Share Option Scheme, our Controlling Shareholders will in aggregate beneficially own 75% of our issued Shares. Subject to the Articles of Association and all applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, business operations and corporate actions by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. The interests of our Controlling Shareholders may not always coincide or align with the best interests of our Company or the other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our Company or the other Shareholders, or if our Controlling Shareholders choose to cause our Company to pursue strategic objectives that conflict with the interests of our Company or the other Shareholders, you may be disadvantaged as a result.

The market price of our Shares when trading begins could be lower than the Offer Price

The initial price to the public of our Shares sold in the Share Offer is expected to be determined on or about Thursday, 10 October 2019 and in any event, not later than Tuesday, 15 October 2019. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on Friday, 18 October 2019. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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

During FY2017, FY2018 and FY2019, members of our Group declared dividends in aggregation of approximately nil, HK\$100 million and nil, respectively. For further details, please refer to the paragraph headed "Financial information — Dividend" in this prospectus. Any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including, without limitation, our operations and earnings, capital requirements and surplus, cashflow position, general financial condition and other factors which our Board may deem relevant. Accordingly, our

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historical dividends are not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. Please refer to the paragraph headed “Financial information — Dividend” in this prospectus for further details of our dividend policy.

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

We may require additional funds due to changes in business conditions or other future developments relating to, *inter alia*, our existing operations or any future expansions. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There may be dilution because of the issuance of Shares pursuant to the options granted under the Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, the details of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the exercise price. Any issuance of new Shares upon exercise of the options granted under the Share Option Scheme will also lead to a dilution of our earnings per Share and net asset value per Share because the number of Shares outstanding will be increased as a result of such issuance.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Share Offer will experience immediate dilution

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Share Offer. Therefore, purchasers of our Offer Shares in the Share Offer will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK\$0.26 per Share and HK\$0.29 per Share, based on the minimum Offer Price of HK\$0.625 per Offer Share and the maximum Offer Price of HK\$0.75 per Offer Share, respectively, and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

The sale or availability for sale of substantial number of our Shares by existing Shareholders in the public market, could materially and adversely affect the trading price of our Shares

Except as otherwise described in the section headed “Relationship with Controlling Shareholders” in this prospectus and the restrictions set out by the Listing Rules, there are no restrictions imposed on our Controlling Shareholders to dispose of their Shares.

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Sale of substantial amounts of our Shares in the public market after the completion of the Share Offer by existing Shareholders, or the perception that such sale 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 the existing Shareholders would not dispose of their Shares. Any significant disposal of our Shares by any of our existing Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for our Company to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise further capital.

Our Shareholders may experience difficulties in protecting their interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or certain other jurisdictions

We are a company incorporated in the Cayman Islands as an exempted company with limited liability, and the law of Cayman Islands may differ in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Memorandum and Articles, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those in Hong Kong or other jurisdictions where investors may be located. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed "Summary of the constitution of our Company and the Cayman Islands company law" in Appendix III to this prospectus.

We have significant discretion as to how we will use the net proceeds of the Share Offer, and you may not necessarily agree with how we use them

Our management may spend the net proceeds from the Share Offer in ways you may not agree with or that do not yield a favourable return to our Shareholders. We plan to primarily use the net proceeds from the Share Offer to as set out in the section headed "Future plans and use of proceeds — Use of proceeds" in this prospectus for further details. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Share Offer.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Statistics and information in this prospectus may come from various sources which may not be fully reliable

This prospectus contains information and statistics that are derived from various publicly available official government and other publications and obtained during communications with various independent third parties that our Directors generally

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believe are reliable. However, Our Directors cannot guarantee the quality and reliability of such materials. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting or reproducing such information and statistics. They do not believe that such information or statistics is false or misleading in any material aspect or that any material fact has been omitted that would render such information or statistics false or misleading. Such information or statistics has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Share Offer and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such information and statistics may be inaccurate or may not be comparable to official statistics. You should consider how much weight or importance such information or statistics carry and should not place undue reliance on them.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information contained in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information contained in any press article or other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to completion of the Share Offer, there may be press and media coverage regarding our Group and the Share Offer. Such press and media coverage may include information that does not appear in or is inconsistent with information contained in this prospectus. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and the disclosure of such information has not been authorised by us. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the information included in this prospectus.

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details of such statements and the associated risks.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “project”, “anticipate”, “seek”, “may”, “will”, “would”, “aim”, “estimate”, “can”, “ought to”, “potential”, “should” and “could” or similar words or statements, in particular, in the sections headed “Business” and “Financial information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our operations and business prospects;
- the performance, future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals, and our ability to implement such strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in the section headed “Financial information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk;
- our ability to maintain and enhance our market position;
- the effects of domestic and overseas competition in the industries or markets in which we operate and its potential impact on our business;

FORWARD-LOOKING STATEMENTS

- developments in, or changes to, laws, regulations, governmental policies, taxation or accounting standards or practices affecting our operations, especially those related to Hong Kong;
- general political and global economic conditions, especially those related to Hong Kong;
- fluctuations in inflation, interest rates and exchange rates;
- changes in the availability of, or new requirements for financing;
- material changes in the costs of the equipment required for our operations;
- various business opportunities that our Group may pursue;
- our financial position;
- our success in accurately identifying future risks to our business and managing the risks of the aforementioned factors;
- other factors discussed in sections headed “Summary”, “Risk factors”, “Future plans and use of proceeds”, “Industry overview”, “Business” and certain statements in the section headed “Financial information” with respect to trends in prices, volumes, operations, margins, overall market trends and risk management; and
- other factors beyond our control.

One or more of these risks may materialise and various underlying assumptions may prove incorrect.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole 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 party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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”, and the procedures for applying for Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer which forms part of the Share Offer. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement on a conditional basis. One of the conditions is that we and the Joint Bookrunners (for themselves and on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. The Share Offer is managed by the Joint Bookrunners.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Offer Price is expected to be fixed by agreement among the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 10 October 2019 and, in any event, not later than Tuesday, 15 October 2019. If, for any reason, the Offer Price is not agreed among us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) the Share Offer will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

We offer the Public Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring the Public Offer Shares under the Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

OUR 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 Listing Date or any other date as determined by HKSCC.

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our 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.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, us and any of our or their respective directors or any other person or party involved in the Share Offer accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

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

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Shares registered in our Company's branch register of members maintained in Hong Kong 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

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

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translations of Hong Kong dollars into U.S. dollars have been made at the rates of HK\$7.80 to US\$1. No representation is made that Hong Kong dollars could have been, or could be, converted into U.S. dollars at such rates or at any other rate on such date or on any other date.

ROUNDING

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 18 October 2019. The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares will be 1283.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Managers may choose to borrow up to 30,000,000 Shares from Lightspeed. Such stock borrowing arrangements will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out under the section headed “Underwriting” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Ko Lai Hung (高黎雄)	Unit H, 61/F Tower North, Chelsea Court 100 Yeung Uk Road Tsuen Wan New Territories Hong Kong	Chinese
Ms. Cheung Mei Lan (張美蘭)	Unit H, 61/F Tower North, Chelsea Court 100 Yeung Uk Road Tsuen Wan New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Ko Angus Chun Kit (高俊傑)	Unit H, 61/F Tower North, Chelsea Court 100 Yeung Uk Road Tsuen Wan New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Chan Cheong Tat (陳昌達)	Flat A, 7/F, Block 3 City Garden 233 Electric Road North Point Hong Kong	Chinese
Ms. Tse Ka Wing (謝嘉穎)	Flat 704, Block F Chun Tai House Ching Tai Court Tsing Yi New Territories Hong Kong	Chinese
Mr. Ho Chi Shing (何志誠)	Flat A, 2/F, Tower 2 21 Yau On Street Lakeview Garden Tai Wai New Territories Hong Kong	British

For further details about our Directors and senior management members, please refer to the section headed “Directors and senior management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Ample Capital Limited

(A licensed corporation to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO)

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

**Sole Global Coordinator,
Joint Bookrunner and
Joint Lead Manager**

Alpha Financial Group Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

**Joint Bookrunner and
Joint Lead Manager**

Head & Shoulders Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 4 (Advising on Securities) regulated activities as defined under the SFO)

Room 2511, 25/F Cosco Tower
183 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Lead Managers

AFG Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

Room B, 17/F., Fortune House
61 Connaught Road Central
Central
Hong Kong

I Win Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

Room 1916
Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

Co-lead Managers

Bluemount Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities as defined under the SFO)

Room 2403-05
Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

ChaoShang Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) and Type 2 (Dealing in Futures Contracts) regulated activities as defined under the SFO)

Rooms 2206-2210, 22/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

CIS Securities Asset Management Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities as defined under the SFO)

21/F, Centre Point
181–185 Gloucester Road
Wanchai
Hong Kong

Future Land Resources Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

Flat B, 20/F
Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan
Hong Kong

Grand Moore Capital Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO)

Unit 1607, 16/F
Silvercord Tower 1
30 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Grand Partners Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

9/F
Connaught Harbourfront House
35–36 Connaught Road West
Hong Kong

Lego Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

Room 301, 3/F
China Building
29 Queen's Road Central
Central
Hong Kong

Merdeka Capital Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities) regulated activity as defined under the SFO)

Room 1108–1110, 11/F
Wing On Centre
111 Connaught Road Central
Hong Kong

Sinomax Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities as defined under the SFO)

Room 2705–6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

Solomon Securities Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities as defined under the SFO)

Unit 1705, 17/F
No. 148 Electric Road
North Point
Hong Kong

Yuzhou Financial Holdings Limited

(A licensed corporation to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activity as defined under the SFO)

Unit E, 6/F
Yardley Commercial Building
1–6 Connaught Road West
Sheung Wan
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company

As to Hong Kong law:

Addleshaw Goddard (Hong Kong) LLP
802–804 Champion Tower
3 Garden Road
Central
Hong Kong

As to Cayman Islands law:

Appleby
2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

As to Hong Kong licences law:

Mr. Chan Chung
Barrister-at-law
10/F, Grand Building
15–18 Connaught Road Central
Central
Hong Kong

As to Hong Kong property law:

Ms. Yan Chi Yee Angie
Barrister-at-law
10/F., New Henry House
10 Ice House Street
Central
Hong Kong

**Legal advisers to the Sole Sponsor
and the Underwriters**

As to Hong Kong law:

Chungs Lawyers
28/F, Henley Building
5 Queen's Road Central
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Tax Adviser**RSM Tax Advisory (Hong Kong) Limited**

29th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

Industry consultant**Ipsos Limited**

6/F, China Life Center Tower A

One Harbour Gate, 18 Hung Luen Road

Hung Hom, Hong Kong

Receiving bank**Bank of China (Hong Kong) Limited**

Bank of China Tower

1 Garden Road

Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong under Part 16 of the Companies Ordinance	Unit Nos. 709–711, 7/F The Octagon No. 6 Sha Tsui Road Tsuen Wan New Territories Hong Kong
Company's website	<u>www.chittathk.com</u> <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Mr. Chan Tak Sun Sammy (<i>HKICPA</i>) 3/F, Elegance Court 212 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong
Authorised representatives	Mr. Ko Lai Hung Unit H, 61/F Tower North, Chelsea Court 100 Yeung Uk Road Tsuen Wan New Territories Hong Kong Mr. Chan Tak Sun Sammy 3/F, Elegance Court 212 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong

CORPORATE INFORMATION

Compliance adviser	Ample Capital Limited <i>(A licensed corporation to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO)</i> Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Audit Committee	Ms. Tse Ka Wing (謝嘉穎) (<i>Chairperson</i>) Mr. Chan Cheong Tat (陳昌達) Mr. Ko Angus Chun Kit (高俊傑)
Nomination Committee	Mr. Chan Cheong Tat (陳昌達) (<i>Chairperson</i>) Mr. Ho Chi Shing (何志誠) Mr. Ko Lai Hung (高黎雄)
Remuneration Committee	Mr. Ho Chi Shing (何志誠) (<i>Chairperson</i>) Mr. Chan Cheong Tat (陳昌達) Mr. Ko Lai Hung (高黎雄)
Principal share registrar and transfer office in the Cayman Islands	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar	Tricor Investor Services Limited Level 54, 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 DBS Bank (Hong Kong) Limited 11/F, The Center 99 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third-party sources. In addition, this section and elsewhere in the prospectus contains information extracted from the Ipsos Report, for the inclusion in this prospectus. We believe that the source of this information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by us, the Sole 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 (except Ipsos), and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.

SOURCE AND RELIABILITY OF THE INFORMATION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development and competitive landscape of the E&M engineering industry in Hong Kong for the period from 2013 to 2022 at a fee of HK\$420,000. Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,500 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

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

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Group; and (c) conducting primary research by interviewing key stakeholders and industry experts. This methodology has guaranteed a full circle/multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy and reliability.

The following assumptions are used in the Ipsos Report: (a) it is assumed that the global economy remains in steady growth across the period from 2019 to 2022; and (b) the external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the E&M engineering industry in Hong Kong from 2019 to 2022.

INDUSTRY OVERVIEW

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

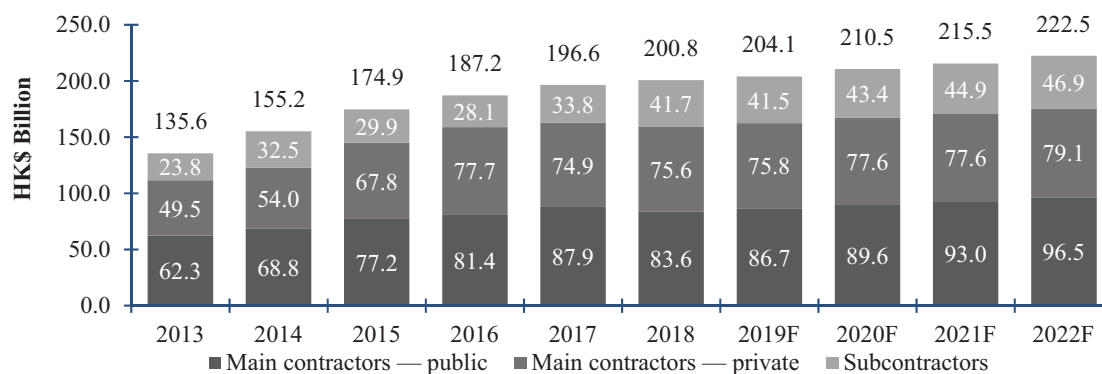
OVERVIEW OF MACROECONOMIC ENVIRONMENT AND THE CONSTRUCTION INDUSTRY IN HONG KONG

GDP and GDP growth rate in Hong Kong

The GDP in nominal terms of Hong Kong grew from HK\$2,138.3 billion in 2013 to HK\$2,845.3 billion in 2018 at a CAGR of 5.9%. The lowered growth rate from 2013 to 2016 was due to the sluggish trade performance drove by the weak demand from Asian markets and the overall decreasing number of tourists in Hong Kong. The GDP value bounced back in 2017 and the recovery can be attributed to the positive economic environment including full employment and strong consumer confidence. During the forecast period from 2019 to 2022, the GDP in nominal terms of Hong Kong is forecasted to grow steadily from HK\$2,989.6 billion to HK\$3,476.0 billion at a CAGR of 5.2% as supported by the Government's effort to stimulate the economy.

Gross output value of overall construction works in Hong Kong

The graph below sets forth the gross output value of overall construction works performed at construction sites in Hong Kong by subcontractors, public sector main contractor, private sector main contractor from 2013 to 2018 and forecast from 2019 to 2022:



Notes: (1) Data refers to the gross output value of construction works in nominal terms performed by main contractors and subcontractors at construction sites. (2) Total output value of construction works may not equal to the summation of values of the main contractor for both public and private sectors and subcontractors due to round-off issues.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

INDUSTRY OVERVIEW

The gross output value of overall construction works performed at construction sites in Hong Kong increased from HK\$135.6 billion in 2013 to HK\$200.8 billion in 2018, at a CAGR of 8.2%. The gross output value is expected to grow at a slower CAGR of 2.9%, increasing from HK\$204.1 billion in 2019 to HK\$222.5 billion in 2022. The growth in gross output value over the forecast period is expected to decelerate as most of Ten Major Infrastructure Projects announced in the 2007–08 Policy Address will be completed. The gross output value of overall construction works, nonetheless, will be partly supported by the public and private housing establishment from 2019 to 2022. The strong Government support in increasing housing supply, therefore, is expected to drive the gross output value of the public sector over the forecast period.

The gross output value of construction works performed by subcontractors grew from HK\$23.8 billion in 2013 to HK\$41.7 billion in 2018 at a CAGR of 11.9%, and is expected to increase from HK\$41.5 billion in 2019 to HK\$46.9 billion in 2022 at a CAGR of 4.2%. As the size and complexity of projects differ, main contractors often outsource part of the project to subcontractors with specialities. Therefore, the gross output value of subcontracting construction works in Hong Kong will tightly follow the market performance of main contractors.

Drivers of demand of the construction industry in Hong Kong

The key drivers of the construction industry in recent years include construction works on residential housing, infrastructure, office and commercial building.

Robust growth in private housing units

Given the strong demand for private housing in Hong Kong, the supply of private housing is also bolstered under the Government's supply-led policy. In response to the growing demand for housing and to meet the established target announced in Long Term Housing Strategy by Transport and Housing Bureau in 2014, the Government has been supporting the supply of private housing by increasing land sale. As a result, the total number of newly-completed private residential housing in Hong Kong increased from 8,254 units in 2013 to 20,984 units in 2018, at a CAGR of 20.5%. According to the 2019–2020 Land Sale Program by Lands Department in 2019, it is estimated that private housing land supply in the 2018–19 financial year is capable of providing approximately 14,540 units. The Government's supportive policy, therefore, is expected to encourage property developers to produce more private housing units in the near future, thereby driving the construction industry in Hong Kong.

INDUSTRY OVERVIEW

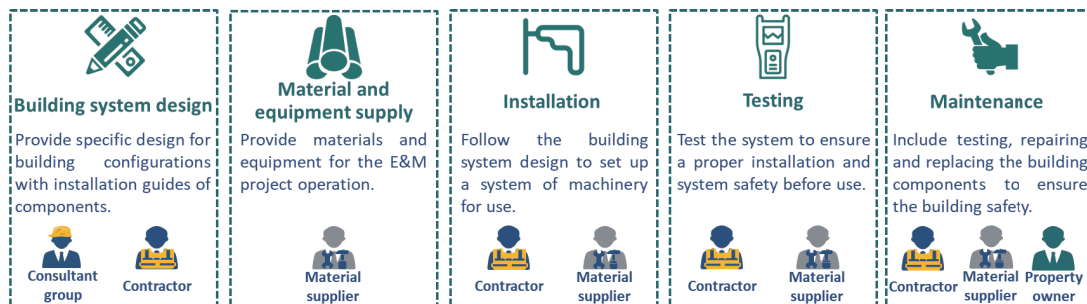
Continual increase in office and commercial space

To maintain Hong Kong's status as an international financial centre, the Government has been ensuring a continued supply of office and commercial space. As a result, the floor area of completed private office increased at a CAGR of approximately 7.9% and that of commercial spaces at a CAGR of approximately 26.6% from 2013 and 2018. The Government will continue to increase the supply of commercial floor area. For instance, the commercial floor area in Kowloon East, the new business district, now amounts to over 2.3 million square meters, and is expected to further increase by approximately 4.7 million square meters. In conclusion, the continual demand for office and commercial space and therefore the continual investment in building construction, subsequently driving the construction industry in Hong Kong.

OVERVIEW OF THE E&M ENGINEERING INDUSTRY IN HONG KONG

Introduction and definition

E&M engineering is the abbreviation of electrical and mechanical engineering, which is an engineering discipline that deals with the study and application of electricity, electromagnetism, useful devices and machines. The installation of E&M engineering system into a constructed building ensures the building's proper function.



Sources: Ipsos

The E&M engineering industry covers a broad range of services, including building system design, material and equipment supply, installation, testing and maintenance. Particularly, some of the E&M engineering contractors possess a technical design team to further advance the building system design set from the consultant group. In general, E&M engineering contractors are acting as subcontractors which handle sub-contracted works from the main contractor under a construction project.

INDUSTRY OVERVIEW

It is common for main contractors to outsource components of the overall works to subcontractors as construction projects' complexities differ. Below are the types of first-tier subcontractors as segmented by their relationship with project owners and the main contractor:

Domestic subcontractors: Domestic subcontractors are selected and appointed solely by main contractors. Project owners (usually property developers), in other words, do not have direct selection nor a contractual relationship with the domestic subcontractor. The main contractor, therefore, directly finances the subcontractor's works. Usually, domestic subcontractors are selected to conduct specialized works within the project, such as E&M engineering works.

Named subcontractors: Unlike domestic subcontractors, whose selection is left undisturbed from project owners, named subcontractors are selected and appointed by the main contractors from a list of preferred subcontractors as provided by project owners. Although the selection of the subcontractors is conducted by project owners, the price negotiation and work management throughout the construction phase are conducted by the main contractor.

Nominated subcontractors: Nominated subcontractors are selected solely by project owners to carry out an element of the construction works. Nominated subcontractors could occur in both (i) build-only; and (ii) design and build projects. Nominating subcontractors enables project owners to have a direct selection on subcontractors, thereby granting project owners better control specific works quality. Project owners often directly negotiate a price with the nominated subcontractors, although the main contractors are responsible for financing the subcontractors' works. Nominated subcontractors, however, usually do not have a direct contractual relationship with the project owners but instead have a direct contractual relationship with the main contractor.

In an E&M engineering works project, the first-tier subcontractor is majorly responsible for the overall management of the E&M projects, and delegate to and coordinated with the lower-tier subcontractors (i.e. second-tier subcontractors) to perform the relevant construction works under its supervision and quality control. In contrast, second tier subcontractor is chiefly responsible for performing relevant construction works which subcontracted by the first-tier subcontractors. In terms of profitability, second-tier subcontractor, in general, achieves a high level of gross profit margin than that the first tier subcontractor achieves of in the same construction project. The first-tier subcontractors generally achieve 10%–20% gross profit margin while the second-tier subcontractors achieve 15%–30% gross profit margin, depending on various factors such as project complexity and nature, provision of construction materials and consumables, and the subcontractors' level of reliance on indirect labour. Particularly, holding other factors constant, the self-procurement of construction materials and consumables could lead from a 5% to even 20% higher of gross profit margin achieved by the subcontractors. Such higher gross profit margin achieved mainly due to the markup charged by the subcontractors who are managed to procure suitable construction materials and consumables for the construction works.

INDUSTRY OVERVIEW

The E&M engineering works can be chiefly segmented by the work nature into electrical works, MVAC works, fire services works, plumbing and drainage works, and other services:

Electrical works: Electrical works refer to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low voltage or high voltage fixed electrical systems and include the supervision and certification of the work. The works can be further segmented into electrical wiring, general electrical installation and electrical control and power panel assembly, such as the installation of main low-voltage switchboard, permanent standby generator, stage lighting and AV system, and central battery system, etc.

Mechanical, ventilation and air-conditioning (MVAC) works: MVAC works refer to the installation, repair and maintenance of MVAC systems. The works can be further segmented into pipework, mechanical fitting works, MVAC control, sheet metal and ducting works, and insulation works.

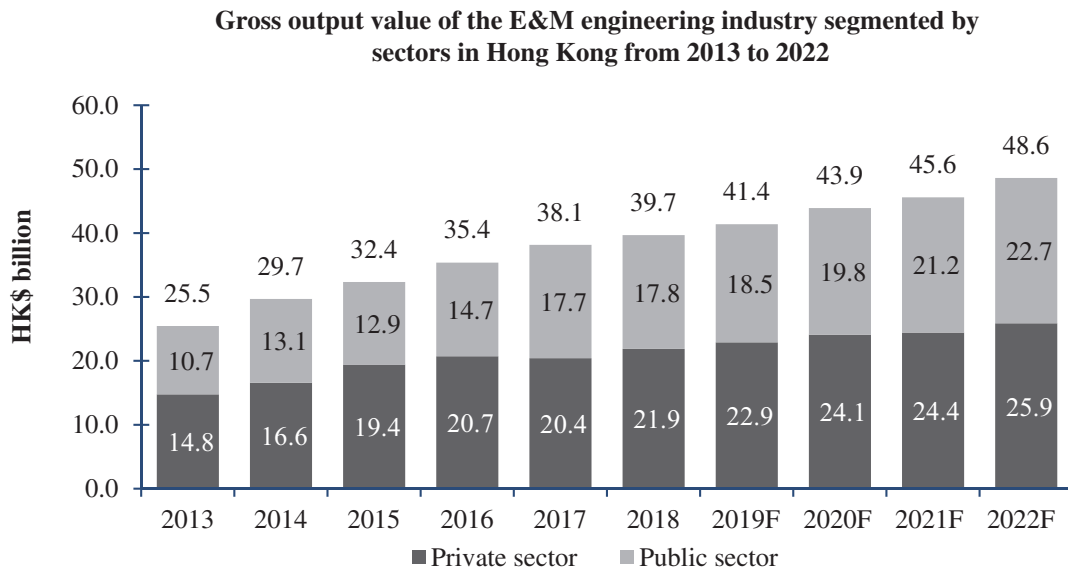
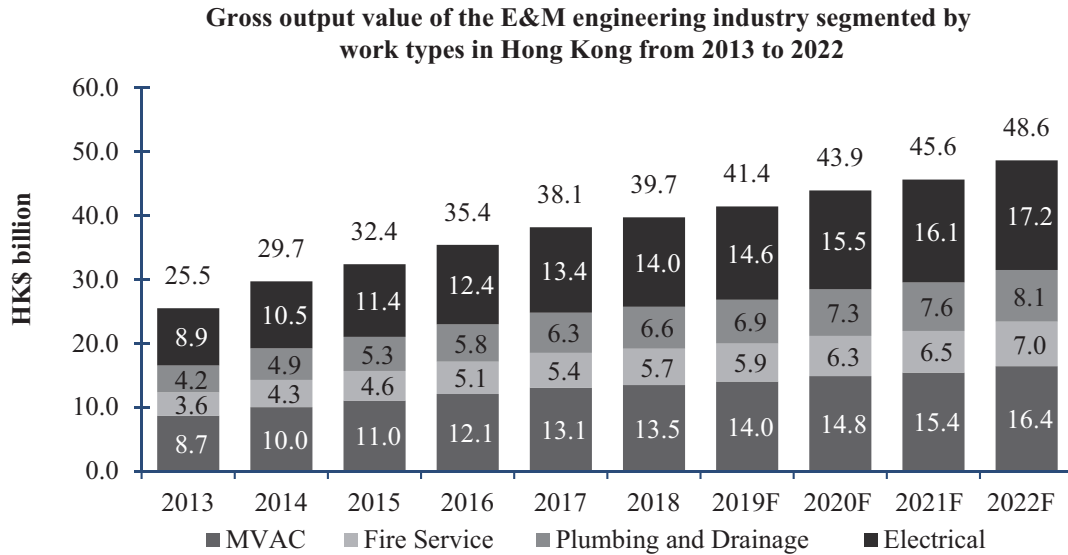
Fire services works: Fire services works refer to the installation, repair and maintenance of fire service systems, which normally comprises fire detection, alarm and protection system of the building. Generally, the fire services installation works can be divided into fire service pipework and electrical fittings.

Plumbing and drainage works: Plumbing and drainage works include the installation, repair and maintenance of plumbing and drainage systems. In general, the plumbing and drainage works includes (i) the plumbing works; (ii) building drainage and sewer works; and (iii) swimming pool and fountain works.

INDUSTRY OVERVIEW

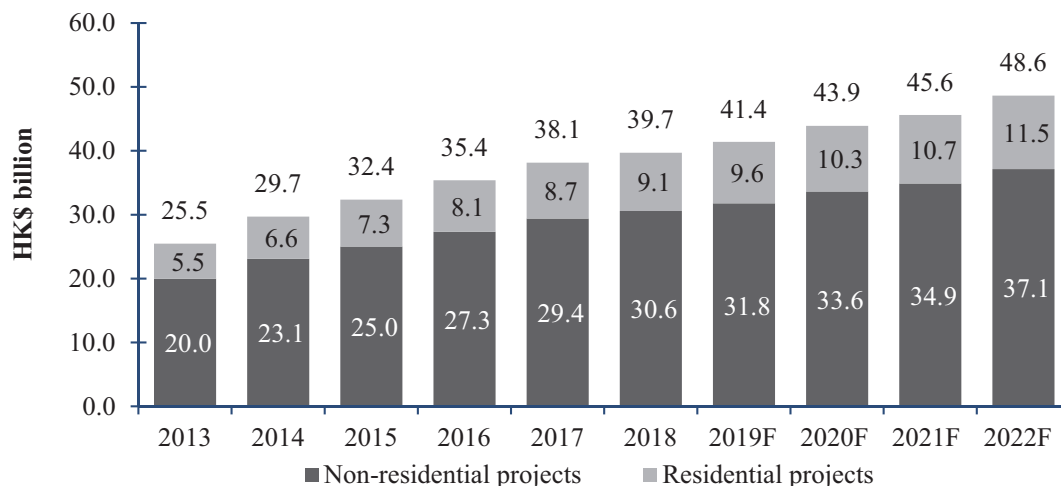
Gross output value of the E&M engineering industry in Hong Kong

The graph below shows the gross output value of the E&M engineering industry in Hong Kong from 2013 to 2018 and forecast from 2019 to 2022:



INDUSTRY OVERVIEW

Gross output value of the E&M engineering industry segmented by project types in Hong Kong from 2013 to 2022



Note: The gross output value refers to the value of MVAC, fire service, plumbing and drainage and electrical works performed by E&M engineering contractors.

Sources: Ipsos

The gross output value of the E&M engineering industry in Hong Kong increased from HK\$25.5 billion in 2013 to HK\$39.7 billion in 2018 at a CAGR of approximately 9.3%. The increase in the gross output value can be attributed to the increasing demand for E&M engineering works as the result of the increase in newly-completed private residential housing, commercial space and private office during the same period. Among the four major segments in the industry, electrical works and MVAC works are the largest and second-largest contributor to the gross output value of the industry, accounting for 35.2% and 33.9% of the E&M engineering industry market share in 2018 respectively. In particular, the gross output value contributed by the MVAC works segment increased from HK\$8.7 billion to HK\$13.5 billion at a CAGR of 9.2% during the same period. Further, by splitting the E&M engineering market according to the sector, the private sector projects contributed a share of approximately 55.1% to the total gross output value in the E&M engineering industry in 2018. By splitting the market according to the types of projects, the residential projects contributed approximately 23.0% to the total industry gross output value in the same year.

The gross output value of the E&M engineering industry in Hong Kong is forecasted to increase from HK\$41.4 billion in 2019 to HK\$48.6 billion in 2022 at a CAGR of 5.5%. The gross output value is expected to be fuelled by the Government's land supply policy and initiative to increase the residential and commercial building supply. During the forecast period, the gross output value generated from MVAC works and electrical works is expected to increase at the CAGR of 5.4% and 5.6% respectively. By 2022, the output value generated from private sector projects is expected to account for a share of approximately 53.2% to the total gross output value in the E&M engineering industry. Besides, the output value generated from residential projects is expected to account for a share of approximately 23.6% to the total industry gross output value in the same year.

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Price trend of major cost components

Labour costs and costs of materials, including wire, cable, other electrical apparatus, water pipe, electric fire alarms and air-conditioning machine, are the major cost components for the E&M engineering works in Hong Kong.

Average daily wage of workers in the E&M engineering industry in Hong Kong

From 2013 to 2018, the average daily wage of a worker in the E&M engineering industry in Hong Kong grew from HK\$856.7 to HK\$1,113.5, at a CAGR of 5.4%. It is an industry norm for E&M engineering contractors to hire employees on a daily wage basis. Labour shortage within the industry continually drove the wage from 2013 to 2018. Increasing wages has been attracting more workers to meet the high demand in the E&M engineering industry in Hong Kong. The number of registered workers in the E&M engineering industry increased from 45,860 in 2013 to 76,346 in 2018, at a CAGR of approximately 10.7%.

Price trend of key materials used in the E&M engineering industry in Hong Kong

The table below sets forth the historical price trend of key materials used in the E&M engineering industry in Hong Kong from 2013 to 2018:

Materials	2013	2014	2015	2016	2017	2018	<i>CAGR 13–18</i>
Wire (HK\$ per kg) ^{1,2}	64.2	65.5	59.4	60.1	74.5	74.6	3.0%
Cable (HK\$ per kg) ^{1,3}	90.7	90.3	76.2	79.2	84.1	94.2	0.8%
Other electrical apparatus (HK\$ per kg) ^{1,4}	319.7	368.4	390.3	465.4	495.6	506.6	9.6%
Water pipe (HK\$ per unit) ^{5,6}	56.0	55.0	52.0	53.0	52.0	52.0	-1.5%
Electric fire alarms (HK\$ per unit) ¹	53.8	55.3	45.3	60.8	81.2	65.6	4.0%
Air-conditioning machine (HK\$ per unit) ^{1,7}	2,719.8	3,270.7	3,112.8	3,420.3	3,127.0	2,935.7	1.5%

Notes: (1) Figures refer to the import prices to Hong Kong instead of retail prices. (2) Wire refers to insulated winding wire of copper and insulated winding wire of metals other than copper. (3) Cable refers to insulated coaxial cables, insulated electric cables and insulated optical fibre cables. (4) Other electrical apparatus here refers to tools used for switching, protecting, connecting to or in electrical circuits. (5) Water pipe here refers to 32mm diameter, 4m long uPVC pipes. (6) Figures refer to the average price in December of each year. (7) Figures refer to average import price of (i) air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, incorporating a refrigerating unit and a valve for reversal of the cooling/heat cycle (reversible heat pumps); (ii) air conditioning machines nesoi, incorporating a refrigerating unit, nesoi; and (iii) air conditioning machines nesoi, not incorporating a refrigerating unit.

Sources: Census and Statistics Department, HKSAR; Ipsos

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Wire, cable and other electric apparatus

The average price of wire recorded an overall increase at a CAGR of 3.0%. While the decrease in copper price resulted in the decreasing price trend of wire during the period from 2013 to 2016, the sharp increase in copper price in 2017 pushed up the price of wire and resulted in an overall increase in the price of wire during the whole period. The average price of cable experienced a slight increase at a CAGR of 0.8%. The decreased average price of cable during 2013 to 2017 can be mainly explained by the decreasing metal price across the globe, as cable is usually made from iron metal and copper metal. The average price of other electrical apparatus surged at a CAGR of 9.6%. The growth of the price of other electrical apparatus was the outcome of the increasing popularity of green-building concept with more technically advanced electrical apparatus adopted.

Water pipe

The average price of water pipe in Hong Kong decrease at a CAGR of -1.5%. Since uPVC is the side product produced from crude oil, the overall decreasing price trend can be explained by the decrease in crude oil prices during the same period.

Electric fire alarms

The average price of electric fire alarms in Hong Kong increased at a CAGR of 4.0%. The increase in the average price of electric fire alarms was mainly due to the robust completion of property units driving up the demand for electric fire alarms.

Air-conditioning machine

The average price of air-conditioning machine increased at a CAGR of approximately 1.5%. The robust increase in the property units completed in Hong Kong surged the demand for air-conditioning machines. The slight drop in the average price of air-conditioning machine in 2015, 2017 and 2018 can be explained by a sharp increase in the import volume of air conditioning machines to Hong Kong, which created an excessive supply and lowered the average price.

Future trends and development of the E&M engineering industry in Hong Kong

Building information modelling (BIM) for E&M engineering system design

BIM can be viewed as the latest trend in computer-based software programs used to assist building system design and analysis. In particular, it enables E&M engineering contractors for more informed decision-making during different stages of their operation from the preparation of tender documents to project implementation. The use of such software allows better coordination between designers and workers in order to lower the chance of project delay by decreasing reworks. Several government authorities, such as the Electrical and Mechanical Services Department and the Architectural Services Department, have started incorporating the BIM in their design and/or maintenance projects. It is expected that the adoption of BIM technology will become more common and gradually become a generally accepted practice in the construction market in Hong Kong.

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Computerisation and automation of E&M engineering system

An increasing number of E&M engineering systems, such as MVAC systems, electrical systems or even plumbing and drainage systems, are moving toward a trend of computerisation and automation. With more advanced computerized networking, the E&M engineering systems are able to be controlled through a central computer system, and users can access and control such systems with internet application and wireless sensors remotely and conveniently. With the increasing emphasis on building functionality and cost efficiency, this trend of computerisation and automation of E&M engineering system will potentially provide growth opportunities for the upgrading and advancement of E&M engineering systems with higher technological capability. With such a trend, it is expected to support the growth of the E&M engineering industry as the advanced E&M engineering systems would drive the higher contract sum of the construction projects.

COMPETITIVE ANALYSIS OF THE E&M ENGINEERING INDUSTRY IN HONG KONG

According to the Ipsos Report, the E&M engineering industry in Hong Kong is highly fragmented, given the large number of industry contractors and the top five contractors accounting for a market share of approximately 30.4% to the industry revenue in 2018. The table below sets forth the number of registered contractors of different types of work under the E&M engineering industry:

Name of registration	Authority	No. of registered contractors	Date of data extracted
Registered Electrical Contractor	Hong Kong Electrical and Mechanical Services Department	13,249	17 September 2019
Registered Specialist Contractor (Ventilation Works Category)	Hong Kong Buildings Department	182	17 September 2019
Registered Fire Service Installation Contractor	Fire Services Department	376	17 September 2019

Note: Contractors who wish to perform plumbing and drainage works in the private sector are not required to register with the Hong Kong Water Supplies Department but are required to employ licensed plumbers who are registered under the Water Works Ordinance.

Sources: Hong Kong Electrical and Mechanical Services Department, Hong Kong Buildings Department, Fire Services Department, HKSAR; Ipsos

In FY2019, the Group recorded approximately HK\$312.7 million of revenue by performing E&M engineering works in Hong Kong, which accounted for a market share of approximately 0.8% to the total industry revenue in 2018. In particular, the Group focuses on the MVAC works segment and accounted for a market share of approximately 2.1% to the industry revenue generated by the MVAC segment.

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Top five E&M engineering contractors in Hong Kong in 2018

The table below sets forth the top five E&M engineering contractors in Hong Kong in 2018:

Rank	Company	Listing status	Revenue in 2018 (HK\$ million)	Market share (%)
1	Company A	Listed	4,477.0	11.3%
2	Company B	Subsidiary of a listed company	2,830.3	7.1%
3	Company C	Subsidiary of a listed company	2,384.5	6.0%
4	Company D	Subsidiary of a listed company	1,569.0	4.0%
5	Company E	Subsidiary of a private company	815.6	2.1%
Total for top five				30.5%
Our Group			312.7	0.8%
<i>Others</i>			<u>27,301.5</u>	<u>68.7%</u>
Total			<u>39,690.6</u>	<u>100%</u>

Notes: Some totals may not correspond with the sum of the separate figures due to rounding.

Source: Ipsos

Factors of competition

Track records of E&M engineering works

The E&M engineering industry focused much on the quality of work, the timeliness of the delivery and past performances. Therefore, E&M engineering contractors with strong track records and better industry reputation could prove that they have a higher ability to complete quality work in a timely manner, and hence, the more likely they will be awarded projects. In general, the E&M engineering contractors with better track records of quality engineering work can receive more tender invitations from the clients. One of the advantages a listing status have is that it serves to promote a listed company's market standing and visibility to customers and suppliers. In relation to the E&M engineering industry, a listing status increases the visibility of an E&M contractor's track record to other market players, including property developers and main contractors. This may attract more tender invitations for E&M engineering projects.

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Relationships with other participants along the value chain

An E&M engineering contractor is considered competitive if it can maintain a stable relationship with project owners (usually property developers), customers, subcontractors and material suppliers. The stable relationship with those participants along the supply chain can help to increase the procurement flexibility and higher chance for offering competitive prices to customers. Also, maintaining a long-term and stable relationship with material suppliers and subcontractors stabilises the source of materials and machinery, and reduces the probability of causing project delay. Thus, the E&M engineering contractors can benefit from maintaining stable working relationships with other participants along the value chain.

Key drivers and opportunities

Expected demand from new projects

According to the Housing Authority, there will be increasing land sales in Hong Kong and is expected that there are 100,400 units of public housing will be constructed in the next five years. It is also estimated that private housing land supply in the financial year of 2018–19 is capable of resulting in approximately 14,540 units as according to the Land Sale Program from April 2019 to March 2020. Moreover, according to the latest Policy Agenda released by the Government, to create a better learning environment, the Education Bureau will be responsible for upgrading the hardware provided for schools, which includes but not limited to providing air-conditioning systems in standard teaching facilities (including classrooms and special rooms), student activity centres and assembly halls of public sector schools. These government initiatives offer more projects opportunities to the E&M engineering industry.

The increasing environmental awareness

The increasing environmental awareness provides an opportunity for overall the E&M engineering industry by offering both new buildings works and old building refurbishment projects, as the traditional design buildings are less energy saving compared to new technology-applied designs. In general, by applying new technology and using most updated facilities, the energy saving design projects cost higher than the traditional designs for the value-added functions, supporting the growth of the gross output value of the E&M engineering industry.

Threats and challenges

Relatively dependent on the real estate market

Although the sales value of the real estate market in Hong Kong experienced an overall increase at a CAGR of 10.2% from 2013 to 2018, considerable fluctuations in the sales volume were recorded between August 2018 and June 2019. There are still many uncertainties of the development of the real estate market in the near future due to many factors, including but not limited to the unfavourable global economic environment, tightening government policies and potential increases in the mortgage rate in Hong Kong.

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If the real estate market in Hong Kong experiences an unexpected significant recession, the E&M engineering industry, which is relatively dependent on the real estate market performance in terms of the number of newly-built properties, would be adversely affected.

Labour shortage and increasing labour costs

Labour shortage and increasing labour costs are the threats of the E&M engineering industry, potentially reducing the players' profitability and slowing their growth. Inability to attract and retain qualified staff may cause a delay in the completion of the works and reduce the profitability of E&M engineering industry. Also, a part of the revenue in the E&M engineering industry is generated from long-term agreements such as refurbishment. Hence, the players who fail to pass these increased labour cost to their customers with such contracts without price adjustments will be negatively affected by the reduction of profitability.

Entry barriers

High requirement on proven track record of previous projects

One of the success criteria of contractors in tendency to be invited to tender is to demonstrate a proven track record of previous projects. In an industry that value on the quality of works, the contractors who have worked to meet the project timeline, provide high-quality work and with flexibility and capability to handle any ad-hoc tasks are considered to have a good track record. New entrants who lack project experience may not be able to demonstrate a proven track record for proving their capabilities.

High initial capital requirement

E&M engineering contractors require a large amount of initial capital to fulfil the capital requirement for registration and perform operation for projects. They have to fulfil numerous minimum capital requirements to register under different government departments for undertaking public works. Furthermore, the E&M contractors also need capital for the prepayments and deposits to ensure the projects can proceed as scheduled. A performance bond, which generally set at 10% of the contract value, is often required to purchase. Hence, new entrants in the E&M engineering industry may face difficulties in surviving if they do not have sufficient amount of initial capital.

Competitive advantages of our Group

Please refer to the section headed "Business — Competitive strengths" for a detailed discussion of our Group's competitive strengths.

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This section sets forth a summary of the material laws and regulations applicable to our business operations in Hong Kong.

A. LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S E&M ENGINEERING SERVICES BUSINESSES

Registration under the Electricity Ordinance

Under section 2 of the Electricity Ordinance, “electrical work” means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low-voltage or high-voltage fixed electrical installation and includes the supervision and certification of such work and the certification of design of such installation. All works engaged in electrical work on fixed electrical installations must be registered with the EMSD. Examples of fixed electrical installations are distribution boards, wiring installations and lighting fittings that are fixed in premises. Workers engaged in electrical installations other than fixed electrical installations, for instance, portable electrical home appliances such as table lamps, television sets, refrigerators, need not be registered.

Registered electrical workers

Electrical works are further classified into five grades (grade A, B, C, R and H) based on the voltage and capacity of electricity involved in an electrical installation and industry specification. Section 34(3) of the Electricity Ordinance provides that only a registered electrical worker (“**REW**”) registered with the EMSD under the Electricity Ordinance shall conduct the electrical works specified in his certificate of registration. A non-REW can only do electrical work under the oral or written instruction of a REW, except certifying a fixed electrical installation complies with the Electricity Ordinance, or working on energised parts of a fixed installation when the non-REW is not immediately adjacent to the supervising REW.

To register as a REW to do electrical works in at least one grade, an individual shall satisfy the Director of the EMSD that he has the qualification to do electrical work in the relevant grades as set out in Part III of the Electricity (Registration) Regulations, such as completion of the prescribed apprenticeship or training, possessing craftsmanship, academic qualification or practical experience in electrical engineering and electrical works, or passing the prescribed examination or trade test.

Registered electrical contractors

A corporate applicant must have at least one employee who is a REW to qualify as a registered electrical contractor (“**REC**”) registered with the EMSD under the Electricity Ordinance. No contractor shall do business as an electrical contractor or carry out electrical works unless it is a REC.

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Validity period and renewal of registration

A registration for REW or REC is valid for a three-year period as shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a REW or REC shall apply to the Director of EMSD for renewal of his/its registration within one to four months prior to the date of expiry of his/its registration.

REWs applying for registration renewal on or after 1 January 2012 is required to have completed the Continuing Professional Development training before submitting application to the EMSD. In addition, REWs applying for new, renewal or change of registration of electrical worker are required to complete the new cable colour code training. Upon receipt of an applicant's advice for completion of such course, and upon confirmation of a valid training record, the EMSD will further process his/its application.

Regulatory actions

Where the Director of the EMSD considers that there is evidence that a REW or a REC has failed to comply with the Electricity Ordinance, he may: (i) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000; or (ii) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal, who may do one or more of the following: (a) reprimand the worker or contractor; (b) fine a worker up to HK\$10,000 and a contractor up to HK\$100,000; (c) suspend or cancel the registration of the worker or contractor; and (d) suspend the worker's or contractor's right to apply for registration or renewal of registration for a prescribed period.

The Director of the EMSD may cancel a registration if he considers that: (i) the worker or contractor obtained registration by fraud or on the basis of misleading or inaccurate information; (ii) the registration was made in error; or (iii) the worker or contractor is no longer qualified under the Electricity Ordinance to be registered.

B. LAWS AND REGULATIONS IN RELATION TO CONTRACTORS REGISTRATION

Registered Specialist Trade Contractors Scheme of the Construction Industry Council

To tender for and carry out capital works and maintenance works contracts in the public sector of Hong Kong or in construction projects (if the contract so requires) as subcontractors, subcontractors shall be registered in one or more of the 52 trades in the Register of Subcontractors of the RSTCS (formerly known as the SRS and the Voluntary Subcontractor Registration Scheme) managed by the CIC. The 52 trades cover common structural, civil, finishing, E&M engineering services works as well as supporting services. Some trades are further classified into several specialties with reference to specialisation in the relevant industry. An approved contractor in relation

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to capital works and maintenance works in the public sector of Hong Kong is required to employ subcontractors registered from the respective trades available under the RSTCS.

With effect from 1 April 2019, the SRS has been renamed as the RSTCS. All subcontractors who are registered under the seven trades namely Demolition, Concreting Formwork, Reinforcement Bar Fixing, Concreting, Scaffolding, Curtain Wall and Erection of Concrete Precast Component of the Subcontractor Registration Scheme have automatically become Registered Specialist Trade Contractors under the RSTCS, whilst all subcontractors who are registered under the remaining trades of the SRS have been retained as Registered Subcontractors under RSTCS, and no new application is required.

As such, with effect from 1 April 2019, our operating subsidiary, Chit Tat, has become a Registered Subcontractor under the RSTCS in various trades, including electrical wiring, general electrical installation and other trade specialties. For further details, please refer to the section headed “Business — Licences and permits” in this prospectus. To apply for registration in a trade on the Register of Subcontractors of the RSTCS, a corporate subcontractor shall comply with the following major entry requirements:

Criteria	Major requirements
Project undertaken or comparable experience:	completion of at least one job within the last five years as a main contractor or subcontractor in the trades and specialties for which registration is applied, or comparable experience acquired by the applicant or its directors within the last five years; or
Qualifications on Government registration scheme:	listings on one or more Government registration schemes relevant to the trades and specialties for which registration is sought; or
Qualifications/working experience of board of directors:	<ul style="list-style-type: none">• the applicant or its director having been employed by a registered subcontractor under the RSTCS for at least five years with experience in the trades and (where applicable) the specialties for which registration is sought, and having completed the prescribed training modules for subcontractors (or equivalent) conducted by the CIC; or

- the applicant or its 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 and (where applicable) the specialty with at least five years of relevant experience, and having completed the prescribed training modules conducted by the CIC.

Validity period and renewal of registration

An approved registration as a registered subcontractor under the RSTCS is valid for three or five years from the approval date. A registered subcontractor under the RSTCS shall apply for renewal within three months before expiry of the current registration by submitting an application in a specified form and providing information and supporting documents to show continued compliance with the entry requirements. An approved renewal is valid for three or five years from the expiry of the current registration.

Regulatory action

The CIC may take regulatory actions against a registered subcontractor on the Register of Subcontractors of the RSTCS where applicable. These regulatory actions include: (i) issue of warning notice to the registered subcontractor; (ii) directing the registered subcontractor to submit an improvement plan within a specified period; and (iii) suspension of registration for a specified period or revocation of registration and in both cases, the name of the registered subcontractor will be removed from the Register of Subcontractors of the RSTCS. A registered subcontractor which registration has been revoked shall not be eligible for re-registration for a period of two years from the date of revocation.

C. LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

Construction Workers Registration Ordinance

The principal objective of the Construction Workers Registration Ordinance is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

Under 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.

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Under section 58 of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

- (a) establish and maintain a daily record in the specified form that contains information of the registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller; and
- (b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:
 - (i) for the period of 7 days after any construction work begins on the site; and

- (ii) for each successive period of 7 days,

within 2 business days following the last day of the period concerned or within such further time as the Registrar of Construction Workers may in any case follow.

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance regulates the safety and health protection of workers in the industrial industry. The Factories and Industrial Undertakings Ordinance imposes general duties on proprietors and persons employed in the industrial sector to ensure safety and health at work by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer's control, (1) maintaining the workplace in a condition that is safe and without risks to health; and (2) providing and maintaining safe access to and egress from the workplaces that are safe and without any such risks; and
- providing and maintaining a safe and healthy work environment.

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

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Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities, etc. Contravening any of these rules shall be an offence and a contractor committing the relevant offence without reasonable excuse could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

Occupational Safety and Health Ordinance

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

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

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and 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;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

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

The Commissioner for Labour is empowered to issue (i) improvement notice against contravention of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within a specific period/refrain from continuing or repeating the contravention; or (ii) a suspension notice directing specific activity not to be undertaken, or the premises, plant or substance not to be used, while the notice remains in force. Failure to comply with such notices constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 (plus a further fine of HK\$50,000 for each day if contravention is knowingly and intentionally continued), respectively, and imprisonment of up to 12 months.

Occupiers Liability Ordinance

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

Employees' Compensation Ordinance

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

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. 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.

Section 24 of the ECO provides that, a principal contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment with the subcontractor. Under section 40(1B) of the ECO, a principal contractor may take out a policy of insurance to cover employees of the subcontractor(s) in view of its potential liability under section 24 of the ECO, but it is not mandatory for a principal contractor to take out insurance cover for employees of the subcontractor(s). The principal contractor may rely on insurance taken out by subcontractors as employer for the subcontractors' employees as required under section 40(1) of the ECO. The principal contractor is, nonetheless, entitled to be indemnified by the subcontractor which would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the ECO, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the ECO 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 ECO to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years.

Employment Ordinance

A principal contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a 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, such wages shall be payable by the principal contractor and superior subcontractor (where applicable) jointly and severally. A principal contractor's and superior subcontractor's (where applicable) liability shall be limited to (i) 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 work; and (ii) the wages has been due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

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

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

A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors 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 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 it from any sum due or may become due to the subcontractor in respect of the work that it has subcontracted.

Immigration Ordinance

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

REGULATORY OVERVIEW

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

Mandatory Provident Fund Schemes Ordinance

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 (“MPF”) scheme within the first 60 days of employment.

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

Industry scheme

Industry schemes (the “**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 either 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:

- foundation and associated works;
- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;
- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- interior fitting-out works.

REGULATORY OVERVIEW

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these two industries have to join the Industry Schemes. However, the Industry Schemes provide convenience to the employers and employees in the construction and catering industries as 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.

Minimum Wage Ordinance

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

D. ENVIRONMENTAL PROTECTION

Air Pollution Control Ordinance

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

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

Noise Control Ordinance

The Noise Control Ordinance controls, among others, 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 (that is, between 7 p.m. and 7 a.m.) and for percussive piling between 7 a.m. and 7 p.m. on any day, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in any place are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority. 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 HK\$100,000; or (b) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

Waste Disposal Ordinance

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong). Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at prescribed facilities. A main contractor who undertakes construction work with a value of HK\$1 million or above will be required to, within 21 days after being awarded the contract, make an application to the Director of Environmental Protection to establish a billing account to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

REGULATORY OVERVIEW

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

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

E. COMPETITION LAW

Competition Ordinance

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong. It provides for general prohibitions in three major areas of anti-competitive conduct described as the first conduct rule, the second conduct rule and the merger rule.

The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

Pursuant to section 82 of the Competition Ordinance, if the Competition Commission has reasonable cause to believe that (a) a contravention of the first conduct rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice (a “**warning notice**”) to the undertaking.

REGULATORY OVERVIEW

However, under section 67 of the Competition Ordinance, where a contravention of the first conduct rule has occurred and the contravention involves serious anti-competitive conduct or a contravention of the second conduct rule has occurred, the Competition Commission may, instead of bringing proceedings in the Tribunal in the first instance, issue a notice (an “**infringement notice**”) to the person against whom it proposes to bring proceedings, offering not to bring those proceedings on condition that the person makes a commitment to comply with requirements of the infringement notice. “Serious anti-competitive conduct” means any conduct that consists of any of the following or any combination of the following — (a) fixing, maintaining, increasing or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (d) bid-rigging.

In the event of breaches of the Competition Ordinance, the Competition Tribunal may make orders including: (i) imposing a pecuniary penalty if it is satisfied that an entity has contravened a competition rule; (ii) disqualifying a person from acting as a director of a company or taking part in the management of a company; (iii) prohibiting an entity from making or giving effect to an agreement; (iv) modifying or terminating an agreement; and (v) requiring payment of damages to a person who has suffered loss or damage.

HISTORY AND DEVELOPMENT

Our business history

Our Group's history can be traced back to 2000 when Mr. Ko, chairman of our Board, our chief executive officer, one of our executive Directors and one of our Controlling Shareholders, using personal resources, together with his spouse, Ms. Cheung, one of our executive Directors and one of our Controlling Shareholders, established Chit Tat, our sole operating subsidiary. Chit Tat commenced its business to engage in the provision of electrical engineering services in Hong Kong, with a focus on supply, installation and maintenance of MVAC systems for private residential properties. Over the years, Chit Tat had been engaged in various projects, including large-scale residential and commercial complex developments such as Ma Wan and Cyberport in Hong Kong.

Under the continuous management of Mr. Ko and Ms. Cheung, our Group has continued to expand its business and mainly provide services in relation to the supply, installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems in Hong Kong. For background and relevant industry experience of Mr. Ko and Ms. Cheung, please refer to the section headed "Directors and senior management" in this prospectus.

Key milestones of our Group

The following table sets forth major development milestones of our Group:

Year	Event
2000	Chit Tat was incorporated in Hong Kong by Mr. Ko and Ms. Cheung, and commenced its business of providing E&M engineering services A residential development project in Ma Wan, Hong Kong with an aggregate contract sum of over HK\$10.2 million was awarded to us in the same year
2005	Chit Tat was first registered under the Registered Specialist Trade Contractors Scheme (formerly known as the Subcontractor Registration Scheme and the Voluntary Subcontractor Registration Scheme) of the Construction Industry Council
2011	We secured a contract to install MVAC systems for a residential development in Yuen Long, Hong Kong with a contract value exceeding HK\$16 million
2014	We were awarded a number of contracts for supply and installation of MVAC systems for a residential development of Clear Water Bay Road, Hong Kong with a contract sum of approximately HK\$136 million

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Event
2016	<p>Chit Tat became an ordinary member of the Hong Kong Registered Ventilation Contractors Association and was registered as an associate member of The Hong Kong Air Conditioning and Refrigeration Association Limited</p> <p>We were awarded a project to supply and install MVAC and building management systems in Kau To Shan, Hong Kong with a contract value of approximately HK\$93 million</p>
2017	<p>Chit Tat was first accredited with ISO 9001:2015 (quality management) certification, ISO 14001:2015 (environmental management) certification, and OHSAS 18001:2007 (occupational, health and safety) certification</p> <p>Chit Tat was registered as the Registered Electrical Contractor with the EMSD and under the Subcontractor Registration Scheme of the CIC</p> <p>We were awarded a project for a residential development in Tuen Mun, Hong Kong to supply and install MVAC systems with a total contract sum of over HK\$167 million</p>
2018	<p>We were awarded a project of a residential development at Tin Shui Wai, Hong Kong for supply and installation of MVAC systems with a contract sum of approximately HK\$93 million</p>

For details of the awards and recognitions received by our Group, please refer to the paragraph headed “Business — Awards and recognitions” in this prospectus.

OUR GROUP COMPANIES

As at the Latest Practicable Date, our Group comprised our Company, Ascend and Chit Tat, our sole operating subsidiary. Particulars of each member of our Group are set out below:

Our Company

On 20 September 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability, having an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. One Share was allotted and issued, credited as fully paid at par, to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Mr. Ko on the same day. On the same day, 69 and 30 Shares were allotted and issued as fully paid at par to Mr. Ko and Ms. Cheung, respectively. As a result, Mr. Ko and Ms. Cheung held 70 and 30 Shares, respectively, representing 70% and 30% of the issued share capital of our Company, respectively.

On 29 November 2018, our Company allotted and issued 70 and 30 Shares, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively, in consideration of Mr. Ko and Ms. Cheung transferring 140 and 60 shares in Ascend to our Company, respectively. As a result, Mr. Ko and Ms. Cheung held 140 and 60 Shares, respectively, representing 70% and 30% of the issued share capital of our Company, respectively.

On 30 November 2018, Mr. Ko and Ms. Cheung transferred 140 and 60 Shares to Lightspeed, respectively, in consideration of Lightspeed allotting and issuing 70 and 30 shares in itself, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. As a result, Lightspeed held 200 Shares, representing 100% of the issued share capital of our Company.

On 18 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares of par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

Our Company is an investment holding company.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 November 2018.

Ascend

On 20 September 2018, Ascend was incorporated in the BVI as a limited liability company that is authorised to issue a maximum of 50,000 shares of a single class without par value. On the date of incorporation, 70 and 30 shares were allotted and issued, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively, representing 70% and 30% of the issued shares of Ascend, respectively.

On 27 November 2018, Ascend allotted and issued 70 and 30 shares, credited as fully paid, in itself to Mr. Ko and Ms. Cheung, respectively, in consideration of Mr. Ko and Ms. Cheung transferring 3,500,000 and 1,500,000 ordinary shares of Chit Tat to Ascend, respectively. As a result, Mr. Ko and Ms. Cheung held 140 and 60 shares in Ascend, representing 70% and 30% of the issued shares of Ascend, respectively.

On 29 November 2018, Mr. Ko and Ms. Cheung transferred 140 and 60 shares in Ascend to our Company in consideration of our Company allotting and issuing 70 and 30 Shares to Ms. Ko and Ms. Cheung, respectively. As a result, our Company held the entire issued share capital of Ascend.

Ascend is an investment holding company.

As at the Latest Practicable Date, Ascend was a direct wholly-owned subsidiary of our Company.

Chit Tat

Chit Tat is our sole operating subsidiary. Chit Tat was incorporated in Hong Kong as a limited liability company on 18 February 2000 with a then authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. At the time of its incorporation, 70 and 30 shares, representing 70% and 30% of the issued share capital of Chit Tat, were allotted and issued to Mr. Ko and Ms. Cheung, respectively.

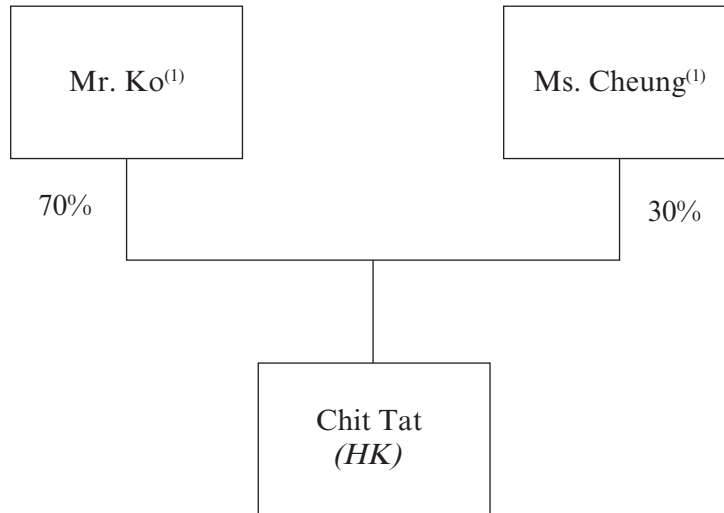
On 27 February 2017, 3,499,930 and 1,499,970 shares of Chit Tat were allotted and issued to Mr. Ko and Ms. Cheung, respectively. As a result, the issued share capital of Chit Tat increased from HK\$10,000 comprising 10,000 shares to HK\$5,000,000 comprising 5,000,000 shares. Since then, Mr. Ko and Ms. Cheung came to hold 3,500,000 and 1,500,000 shares of Chit Tat, representing 70% and 30% of the issued share capital of Chit Tat, respectively.

On 27 September 2018, as part of the Reorganisation, Chit Tat became an indirect wholly owned subsidiary of our Company. For details, please refer to the paragraph headed “Reorganisation — 3. Transfer of shares in Chit Tat from Mr. Ko and Ms. Cheung to Ascend” in this section.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

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



Note:

1. Mr. Ko is the spouse of Ms. Cheung.

REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following steps:

1. Incorporation of Ascend

Ascend, an investment holding company, was incorporated as a limited liability company under the laws of the BVI on 20 September 2018 and is authorised to issue a maximum of 50,000 shares of a single class without par value. On the date of incorporation, Mr. Ko and Ms. Cheung subscribed for, and Ascend allotted and issued 70 and 30 shares to each of them, respectively, all credited as fully paid.

2. Incorporation of our Company

On 20 September 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. One Share was allotted and issued at par, credited as fully paid, to the initial subscriber (a company secretarial service provider), which was subsequently transferred to Mr. Ko on the same day at par. On the same day, our Company allotted and issued 69 and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

30 Shares, credited as fully paid at par, to Mr. Ko and Ms. Cheung, respectively. As a result, Mr. Ko and Ms. Cheung held 70 and 30 Shares, respectively, representing 70% and 30% of the issued share capital of our Company, respectively.

3. Transfer of shares in Chit Tat from Mr. Ko and Ms. Cheung to Ascend

On 27 September 2018, Mr. Ko and Ms. Cheung (as transferors) and Ascend (as transferee) transferred 3,500,000 and 1,500,000 ordinary shares of Chit Tat, respectively, to Ascend, in consideration of Ascend allotting and issuing 70 and 30 shares in itself, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. As a result, Ascend held the entire issued share capital of Chit Tat.

4. Incorporation of Lightspeed

On 19 October 2018, Lightspeed was incorporated in the BVI as a limited liability company that is authorised to issue a maximum of 50,000 shares of a single class without par value. On the same day of incorporation, Lightspeed allotted and issued 70 and 30 shares at a consideration of HK\$0.01 per share, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively, representing 70% and 30% of the issued shares of Lightspeed, respectively.

5. Transfer of shares in Ascend from Mr. Ko and Ms. Cheung to our Company

On 29 November 2018, Mr. Ko and Ms. Cheung (as vendors) and our Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Ko and Ms. Cheung agreed to transfer 140 and 60 shares in Ascend to our Company, in consideration of our Company allotting and issuing 70 and 30 Shares, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. As a result, Chit Tat became an indirect wholly-owned subsidiary of our Company.

6. Transfer of shares in our Company from Mr. Ko and Ms. Cheung to Lightspeed

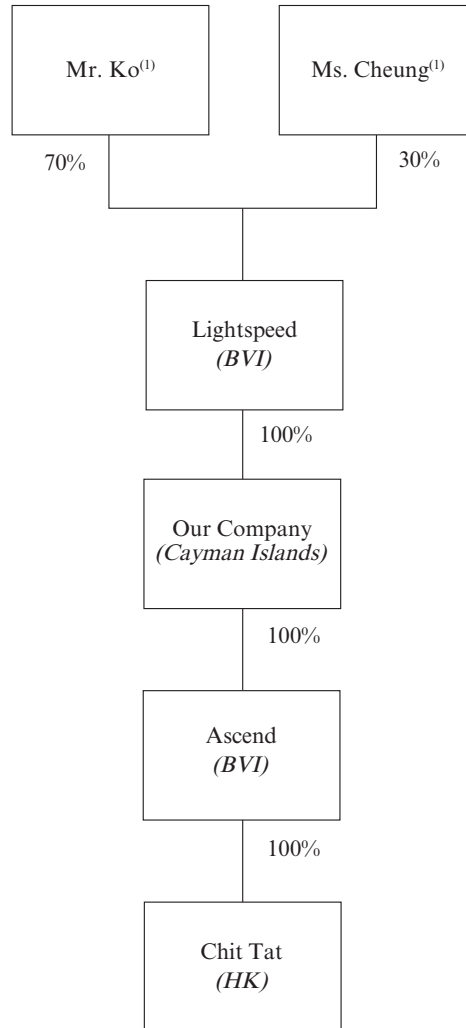
On 30 November 2018, Mr. Ko and Ms. Cheung (as transferors) and Lightspeed (as transferee) transferred 140 and 60 Shares to Lightspeed, in consideration of Lightspeed allotting and issuing 70 and 30 shares in itself, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

As confirmed by our Directors, each of the share transfers made in the Reorganisation was properly and legally completed and settled. No approval is required from the relevant regulatory authorities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER THE REORGANISATION BUT PRIOR TO THE SHARE OFFER AND THE CAPITALISATION ISSUE

The following chart sets out the shareholding and corporate structure of our Group immediately following the completion of the Reorganisation, but prior to the Share Offer and the Capitalisation Issue:



Note:

1. Mr. Ko is the spouse of Ms. Cheung.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

INCREASE IN AUTHORISED SHARE CAPITAL OF OUR COMPANY

On 18 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares of par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

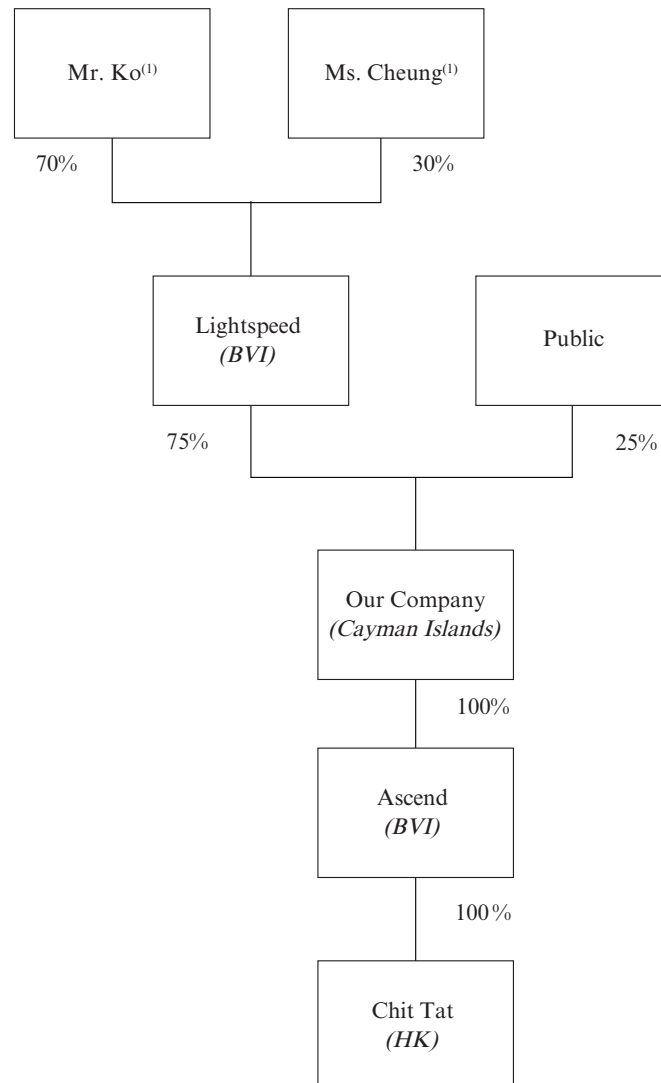
SHARE OFFER AND CAPITALISATION ISSUE

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” in this prospectus, our Company will allot and issue Offer Shares pursuant to the Share Offer for subscription by public investors, representing not less than 25% of the total issued share capital of our Company upon the Listing.

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” in this prospectus and the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, HK\$5,999,998 standing to the credit of our Company’s share premium account will be capitalised by applying such sum to pay up in full at par 599,999,800 Shares for allotment and issuance as fully paid up Shares to Lightspeed, representing 75% of the total issued share capital of our Company upon the Listing.

CORPORATE STRUCTURE UPON THE LISTING

The following chart sets out the shareholding and corporate structure of our Group immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Share to be allotted and issued upon exercise of any share option which may be granted under the Share Option Scheme):



Note:

1. Mr. Ko is the spouse of Ms. Cheung.

BUSINESS

OVERVIEW

We are an established E&M engineering services provider in Hong Kong and our history can be traced back to 2000. Our E&M engineering services typically involve supply, installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems on a project-by-project basis. During the Track Record Period, we delivered our services as a first-tier or second-tier subcontractor and mainly served private residential property development projects in Hong Kong including such projects under certain well-known property developers.

During the Track Record Period, we had worked on a total of 84 E&M engineering projects with a total original contract sum of approximately HK\$1,804.2 million, among which 41 projects had been completed as at the Latest Practicable Date. As at the Latest Practicable Date, we have 46 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) and we have total estimated remaining contract value of approximately HK\$748.9 million, of which approximately HK\$265.6 million, HK\$468.4 million and HK\$14.9 million are expected to be recognised as revenue for the three years ending 31 March 2022, respectively. All projects undertaken by us during the Track Record Period and up to the Latest Practicable Date were located in Hong Kong. For FY2017, FY2018, and FY2019, there were two, eight and seven projects, with original contract sum of approximately HK\$170.1 million, HK\$519.8 million and HK\$332.9 million that were secured by nomination by property developers, respectively, and approximately 11, six and 12 projects, with original contract sum of approximately HK\$126.0 million, HK\$56.5 million and HK\$107.8 million were secured by tendering, respectively. Further details of our projects are set out in the paragraph headed “Our projects” in this section.

During the Track Record Period, we were generally engaged as a subcontractor to provide E&M engineering services which, depending on specific contract requirements, may involve procurement of major materials and accessories to be installed by us. The following table sets forth the breakdown of our revenue by types of services during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
MVAC systems	169,179	87.4	192,463	91.3	279,266	89.3
Electrical systems	11,602	6.0	11,403	5.4	30,411	9.7
Swimming pool, fountain and plumbing and drainage systems	12,854	6.6	6,938	3.3	3,055	1.0
Total	<u>193,635</u>	<u>100.0</u>	<u>210,804</u>	<u>100.0</u>	<u>312,732</u>	<u>100.0</u>

COMPETITIVE STRENGTHS

Our Directors believe our competitive strengths below contribute to our established presence and success of our Group and differentiate us from other competitors in the Hong Kong E&M engineering services market:

Proven track record and capabilities in performing multiple types of works in the E&M engineering industry

We are an established E&M engineering services provider in Hong Kong and our history can be traced back to 2000. In particular, our Directors are of the view that our established presence and experience in private residential MVAC systems works provide us with a competitive advantage, hence we place more focus on projects in relation to such works. During the Track Record Period, we completed 41 E&M engineering projects, of which the majority involve supply, installation and maintenance of MVAC systems. Such completed projects include property development projects under well-known property developers where the aforementioned property developers directly selected us as the nominated subcontractor. Furthermore, during the Track Record Period, we completed a fountain and plumbing project for a major theme park in Hong Kong. Our Directors believe this further illustrates our reputation in the E&M engineering industry.

Leveraging on our proven track record in MVAC systems works, we also provide (i) electrical systems; and (ii) swimming pool, fountain and plumbing and drainage systems works. We also have the capability to perform project management for multiple types of works in an E&M engineering project. According to the Ipsos Report, track records of E&M engineering works and capabilities in performing different types of works are key competitive factors affecting the likelihood of an E&M engineering services provider receiving tender invitations as well as being chosen for an E&M engineering project. Moreover, our capability to perform project management, as well as undertaking the abovementioned E&M engineering services, enables us to undertake E&M engineering services projects as a first-tier subcontractor. Such first-tier subcontracting projects generally contribute higher gross profit margin as opposed to projects where we acted as a second-tier subcontractor. Please refer to the paragraph headed “Our services” in this section for further details on the characteristics of our role as a first-tier subcontractor and second-tier subcontractor. During the Track Record Period, we managed to record an increasing trend in revenue recognised from first-tier subcontract projects. Our Directors believe our established market presence and solid track record will continue to serve us well in extending our business reach to other active market players in Hong Kong, capturing more business opportunities and further consolidating our market share in the E&M engineering services in Hong Kong.

Established relationships with other participants along the E&M engineering service value chain

According to the Ipsos Report, it is considered a competitive advantage if an E&M engineering contractor can maintain stable relationship with customers, suppliers and subcontractors. Such stable relationships contribute to better procurement flexibility and chance for offering competitive tender prices. Over the years, we have established ourselves in the E&M engineering services market, satisfactorily completing projects on a consistent basis which in turn enable our Group to gain confidence from main contractors as well as property developers. We have maintained four to 13 years business relationships with some of our major customers during the Track Record Period. Furthermore, we were also selected as a nominated subcontractor by certain well-known property developers for total 17 projects with a total original contract sum of approximately HK\$340.9 million under such property developers for the three years ended 31 March 2019. We believe such established relationships, particularly our relationships with prominent property developers in Hong Kong, is demonstrative of our reputation and our ability to adhere to stringent project management requirements, and helps fortify our market standing and corporate profile which in turn facilitate our further business undertakings.

We also maintained five years to 15 years of relationship with some of our major suppliers and subcontractors during Track Record Period. Our close relationship with our materials and accessories suppliers enables us to secure materials supply with consistent quality, timely delivery and competitive pricing. We believe, maintaining a stable relationship with subcontractors assures the performance of subcontractors and project timeframe which meet our customers requirement.

Experienced management and professional team

Our experienced management team possesses in-depth industry knowledge and expertise in the E&M engineering and services industry. As at Latest Practicable Date, our Group had a total of 157 employees, with 59 project design and management personnel. In particular, Mr. Ko, our founder, chairman of our Board, our chief executive officer, and executive Director, has more than 20 years of experience in the E&M engineering and services market. His experience and extensive knowledge in this market enable our Group to enjoy in-depth understanding of the local market dynamism and industry practice. Our executive Directors and senior management possess substantial experience, industry insight, technical skills and knowledge and project management experiences to lead and execute high-quality works for sizeable projects with stringent project requirements, which serve as our major competitive edge over other market players, bringing customer satisfaction and reinforcing our market standing for trusted and quality E&M engineering works. We believe that with the knowledge and extensive experience of our capable management team, our Group is able to evaluate potential market development strategies in our target markets and be proactive in exploring business opportunities to meet our business development strategies and needs.

BUSINESS

We believe the combination of expertise contributed by each member of our experienced management and professional team has been and will continue to be our valuable asset, enabling us to take up projects of various scale and types and better quality control on such projects.

A pool of construction workers

As at the Latest Practicable Date, our Group had a total of 157 employees, with 78 employees who are supervisor and construction workers. During the Track Record Period, we were involved in E&M engineering projects where we used our construction workers for installation works or subcontracted such works to our subcontractors. Although our stable relationship with our subcontractors may assure us on their work quality, our Directors are of the view that having our construction workers provides us with better manpower allocation flexibility as well as cost control of our portfolio of E&M engineering projects. Based on the knowledge and experience of our Directors, subcontractors are generally engaged on a project-by-project basis and the higher tier contractor is less able to control any response to unexpected changes to a project such as changes in project schedule requiring additional manpower within a short period of time. Having our direct labour minimises our susceptibility to such lack of manpower control and the potential time and monetary costs. Moreover, we are in a better position to allocate necessary manpower to E&M engineering projects where we use our construction workers according to the needs of such projects, therefore having better control on labour costs in relation to such projects.

BUSINESS STRATEGIES

Our principal business objective is to enhance our market position as a preferred choice of first-tier MVAC systems engineering subcontractor in Hong Kong through the following key business strategies:

Expanding our market share and compete for more first-tier projects

Our ability to undertake more first-tier subcontract projects hinges on the level and sufficiency of our capital strength. According to Ipsos Report, it is common in E&M engineering services contracts to require first-tier subcontractors to procure major materials such as air conditioners as part of contract performance, leading to financial resources capacity being one of the factors for undertaking first-tier subcontract projects. This in turn imposes substantial working capital requirements particularly for E&M engineering subcontractors providing MVAC works. Capital strength is also essential for subcontractors to fulfil performance bond requirement in project tendering and undertaking which is a relatively common industry practice according to Ipsos Report. Given the relatively long duration of our contract performance period, having sufficient liquidity and financial resources for deployment as and when new business opportunities arise are essential for materialising our planned business expansion and further enhance our market share. Our Directors consider that available financial resources is a factor which may constraint the number and size projects we compete for and undertake.

With the Share Offer and our enhanced capital strength and financial resources, we intend to take a more proactive stance in tendering and competing for more first-tier subcontracting projects including those that require procurement of major materials and purchasing performance bonds. Our Directors believe this also helps expand our customer base for more property developers. In this connection, we plan to use approximately HK\$47.3 million or 47.3% of the net proceeds to support the relevant costs to be incurred for MVAC procurement cost and approximately HK\$34.4 million or 34.4% of the net proceeds to purchase performance bonds for our projects. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

Further strengthening our manpower

We consider that a team of strong workforce equipped with appropriate knowledge and experience in management and execution of E&M engineering works of different scale is crucial to our continuing success. To cater for our projects on hand and projects for which we have tendered but which results are not yet known, we plan to recruit four project management staff, 13 engineering staff and two safety staff to strengthen our project implementation capabilities. In addition, we also intend to sponsor training and further studying opportunities to our existing and newly recruited staff to encourage them to obtain higher qualification. Such training courses would include internal training as well as courses organised by external parties and training institutions.

As such, we plan to utilise approximately HK\$9.3 million or 9.3% of the net proceeds from the Share Offer for hiring additional staff. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for further details.

OUR SERVICES

During the Track Record Period, we undertook installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage system, details of which are set at below:

MVAC systems

MVAC systems refer to mechanical ventilation and air-conditioning system, it normally comprises mechanical ventilation fan and air-conditioning equipment including chiller, air handling unit, fan coil unit, water pumps, cooling tower, air conditioner with system pipework, ventilation ductwork, electrical and control works.

MVAC systems mainly covers the following functions:

- Mechanical ventilation: regulating the inflow and outflow of air within buildings/spaces and providing fresh outdoor air to dilute interior airborne contaminants; and
- Air-conditioning: controlling and maintaining the temperature and humidity of air within buildings/spaces.

Electrical systems

Electrical systems refers to the power system that provides electricity to other systems such as the MVAC system and lighting system, it normally comprises main power supply, sub-main distribution system and final circuit system, lighting system, earthing and bonding system, lighting protection system and emergency generator power supply system with trunking /conduit, electrical cable and wiring works.

We are focusing on the installation work of (i) electrical systems which mainly includes main low-voltage switch board and power quality system; and (ii) low-voltage systems which mainly includes broadcast reception system; burglar alarm and security system; induction loop system; emergency call-bell system; intercom and video phone system, for the new construction building and reconstruction building.

Swimming pool, fountain and plumbing and drainage system

In relation to swimming pool and fountain, we specialise in design, supply, install, testing & commissioning for swimming pool and water feature. This also include supply, install and maintenance of filtration system and chemical treatment.

Plumbing and drainage system provides clean and stable water supply while drainage system carries off excess water. Also, plumbing and drainage system ensures proper functioning of fire service system and MVAC system inside a building. It normally comprises of pipes, valves, plumbing fixtures, tanks and other plumbing apparatus.

The following tables set forth the breakdown of our Group’s revenue by sectors during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue HK\$'000	%	Revenue HK\$'000	%	Revenue HK\$'000	%
Residential	176,297	91.0	187,397	88.9	284,105	90.8
Non-residential	17,338	9.0	23,407	11.1	28,627	9.2
Total	193,635	100.0	210,804	100.0	312,732	100.0

All projects we were involved in during the Track Record Period were located in Hong Kong.

During the Track Record Period, we performed E&M engineering service either as first-tier subcontractor or as second-tier subcontractor, depending on specific contract requirements, the projects may involve procurement of systems to be installed by us.

First-tier subcontractor refers to a subcontractor which directly participates in tender by invitation of a property developer or its designated main contractor. Please refer to the section headed “Industry overview — Overview of the E&M engineering industry in Hong Kong — Introduction and definition” for further details on types of first-tier subcontractors and their relationship with project owners and the main

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contractor. Our role as a first-tier subcontractor includes overall project management and supervision of E&M engineering works conducted by us and/or our subcontractors to ensure their conformity to contractual specifications and requirements. During the Track Record Period, all E&M engineering project that we undertook as a first-tier subcontractor required both our installation and systems procurement services. We are required to procure the major materials, including MVAC systems to be installed by us in accordance with project technical specifications, and the cost of which will be included as part of the corresponding contract sum.

Second-tier subcontractor refers to a subcontractor who undertakes projects from a first-tier subcontractor. As a second-tier subcontractor, we execute E&M engineering works through our workers, subject to overall supervision of the first-tier subcontractor. We generally provide installation services only for second-tier subcontracting projects and may need to procure relevant accessories.

The following table sets forth the breakdown of our Group's revenue by our role as first-tier subcontractor and second-tier subcontractor during the Track Record Period:

	FY2017		FY2018		FY2019	
	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%	Revenue <i>HK\$'000</i>	%
First-tier subcontractor	146,033	75.4	164,002	77.8	281,417	90.0
Second-tier subcontractor	<u>47,602</u>	<u>24.6</u>	<u>46,802</u>	<u>22.2</u>	<u>31,315</u>	<u>10.0</u>
Total	<u><u>193,635</u></u>	<u><u>100.0</u></u>	<u><u>210,804</u></u>	<u><u>100.0</u></u>	<u><u>312,732</u></u>	<u><u>100.0</u></u>

The following table sets forth the breakdown of our gross profit and gross profit margin (being gross profit divided by revenue for a particular year as indicated) by our role as first-tier subcontractor and second-tier subcontractor during the Track Record Period:

	FY2017		FY2018		FY2019	
	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
First-tier subcontractor	35,316	24.2	47,933	29.2	73,133	26.0
Second-tier subcontractor	<u>9,745</u>	<u>20.5</u>	<u>9,358</u>	<u>20.0</u>	<u>7,881</u>	<u>25.2</u>
Total	<u><u>45,061</u></u>	<u><u>23.3</u></u>	<u><u>57,291</u></u>	<u><u>27.2</u></u>	<u><u>81,014</u></u>	<u><u>25.9</u></u>

We recorded higher gross profit margin for each of the year constituting the Track Record Period in relation to first-tier subcontracting projects, in comparison with second-tier subcontract projects. Please refer to the section headed "Financial information — Description of selected items of consolidated statements of profit or loss and other comprehensive income — Gross profit and gross profit margin" in this prospectus for further details. Given our strategy to become a prime, first-tier E&M

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engineering subcontractor for property developments in Hong Kong, our Directors expect that we will be undertaking more projects involving major materials procurement going forward, which will increase pressure on our capital strength.

The following table sets forth certain characteristics of our role as a first-tier subcontractor and a second-tier subcontractor:

	First-tier subcontractor	Second-tier subcontractor
Source of projects:	Nominated by property developers or selected by main contractors typically via tender by invitation.	Obtaining projects from subcontractors generally via tender by invitation.
Project execution:	Overall project management and execution/supervision of E&M engineering works conducted by us and/or our subcontractors in accordance with contractual specifications and requirements. We are generally accountable to the main contractors in respect of the whole E&M engineering aspect of the development project.	Execution of E&M engineering works through our construction workers, subject to overall supervision of our customers (generally first-tier subcontractors). We are accountable to our customers generally (first-tier subcontractors) in respect of the quality of the E&M engineering works subcontracted to us.
Scope of service:	During the Track Record Period, all projects awarded to us as a first-tier subcontractor required us to provide both installation and systems procurement services. Such scope of service generally covered project management, and procurement of major materials in addition to the second-tier subcontractor's work we normally carry out.	During the Track Record Period, the projects awarded to us as a second-tier subcontractor mainly required us to provide installation services of MVAC system, swimming pool, fountain and plumbing and drainage system and the procurement of relevant accessories, if necessary; supply and installation services except for electrical works where we were generally engaged to provide both.

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	First-tier subcontractor	Second-tier subcontractor
Contract sum:	The contract sum of a project awarded to a first-tier E&M subcontractor typically reflects the entire E&M engineering contract works of a development project. A first-tier subcontractor may choose to subcontract part of the related contract works to one or more second-tier subcontractors, and would typically retain a certain level of profit margin for its own entitlement. A first-tier subcontracting project's contract sum is therefore generally larger in comparison with second-tier subcontracting project.	Due to the nature of second-tier subcontracting projects, the contract sum involved would typically be smaller in comparison with first-tier subcontracting project, as the first-tier subcontractor may choose to further subcontract part of its awarded contract to second-tier subcontractors while retaining a certain level of profit margin for its own entitlement.
Working capital requirements:	Working capital requirements for first-tier subcontracting projects are generally more substantial as they are generally required to procure major materials and accessories.	Save as electrical works services that we are required to procure major materials for assembly, we only procure accessories if required. The associated working capital requirements of the above are relatively less substantial.
Regulatory requirements:	There is no difference in the licences and permits required to be obtained by a first-tier subcontractor and a second-tier subcontractor, nor is there regulatory minimum working capital, specific qualification and licensing requirements to be qualified as a first-tier or second-tier subcontractor.	

Our Directors believe that being a first-tier E&M engineering subcontractor will improve our position in the E&M engineering value chain, and we can have flexibility in seeking new business opportunities, facilitate us to secure larger contract sums and revenue and capture more market share. Moreover, our Directors are of the view that we are more likely to serve more financially-established customers as a first-tier subcontractor, and this will in turn serve to lessen our credit risk and exposure. We believe having direct business exposure with property developers will also enhance our customer profile and convey a positive message to the market on our strength and capability.

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Seasonality

Our Directors believe that the industry in which our Group operates does not exhibit significant seasonality.

OUR PROJECTS

Set out below shows the number of projects completed and awarded to us and the movement of backlog during the Track Record Period and as at the Latest Practicable Date:

	FY2017	FY2018	FY2019	Since 1 April 2019 and up to the Latest Practicable Date
	<i>Number of project</i>	<i>Number of project</i>	<i>Number of project</i>	<i>Number of project</i>
Project brought forward from prior financial year/period	38	33	34	43
Projects completed <i>(Note 1)</i>	(18)	(13)	(10)	—
New projects awarded	<u>13</u>	<u>14</u>	<u>19</u>	<u>3</u>
Projects in progress	<u><u>33</u></u>	<u><u>34</u></u>	<u><u>43</u></u>	<u><u>46</u></u>
				Since 1 April 2019 and up to the Latest Practicable Date
	FY2017	FY2018	FY2019	Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	263,979	376,645	734,296	907,575
Awarded contract sum <i>(Note 2)</i>	306,301	568,455	486,011	86,380
Revenue recognised	<u>(193,635)</u>	<u>(210,804)</u>	<u>(312,732)</u>	<u>(245,033)</u>
Ending value of backlog <i>(Note 3)</i> (Aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period)	<u><u>376,645</u></u>	<u><u>734,296</u></u>	<u><u>907,575</u></u>	<u><u>748,922</u></u>

Notes:

- Number of completed projects means the number of contracts which are considered practically completed when a practical completion certificate is issued by the our customers or their agent (such as architect) to us.
- The awarded contract sum is based on the initial agreement between our customers and the variation orders endorsed by the customers (or the architects or representatives appointed by such customer).
- Ending value of backlog refers to the portion of the total estimated revenue that has not been recognised with respect to our projects.

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Completed projects

During the Track Record Period and up to the Latest Practicable Date, we completed 41 projects with a total contract sum of approximately HK\$481.2 million. The following table sets out a list of our major projects with contract sum over HK\$10.0 million completed during the Track Record Period and up to the Latest Practicable Date:

Particulars of the project	Role in the subcontractor	Main service coverage	Date of award period	Project commencement date (Note 1)	Date of practical completion of works (Note 2)	Duration of implementation phase (Note 3) (Year(s))	Contract sum bond (Note 4) HK\$'000	Performance bond requirement (Note 4) HK\$'000	Performance bond amount As at 31 March			Revenue recognised during the Track Record Period (Note 4, 5 & 6)			Estimated revenue to be recognised (Note 5)	
									2017	2018	2019	FY2017	FY2018	FY2019	FY2020	FY2021
							HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-residential project in Kowloon Bay	First-tier	MVAC systems	Nov 2014	Oct 2015	Oct 2016	1.0	15,280	No	—	—	6,137	63	—	—	—	—
Residential project in Ho Man Tin	Second-tier	MVAC systems	Oct 2013	Nov 2013	Mar 2018	4.4	30,843	No	—	—	3,240	1,722	1,418	—	—	—
Residential project in Ho Man Tin	Second-tier	MVAC systems	Oct 2013	Nov 2013	Mar 2018	4.4	30,545	No	—	—	1,385	472	89	—	—	—
Residential project in Tung Chung	Second-tier	MVAC systems	Aug 2015	Dec 2014 (Note 8)	Feb 2017	2.2	20,072	No	—	—	1,429	2,914	1,591	343	—	—
Residential project in Mount Nicholson	First-tier	MVAC systems	Mar 2015	Jun 2015	Dec 2017	2.5	17,680	Yes	1,768	—	10,882	3,798	42	391	—	—
Residential project in Ho Man Tin	First-tier	MVAC systems	Jul 2015	Sep 2015	Oct 2017	2.1	76,988	Yes	7,699	—	48,151	15,047	9,491	788	—	—
Residential project in Clear Water Bay	First-tier	MVAC systems	May 2014	May 2014 (Note 7)	Jul 2017	3.2	38,732	No	—	—	9,551	6,591	4,465	—	—	—
Residential project in Clear Water Bay	First-tier	MVAC systems	May 2014	May 2014 (Note 7)	Jul 2017	3.2	96,868	No	—	—	36,759	8,726	10,660	563	—	—
Residential project in Clear Water Bay	First-tier	Swimming pool, fountain and plumbing and drainage systems	Nov 2014	Nov 2014 (Note 7)	Jul 2017	3.2	14,411	No	—	—	6,676	612	812	—	—	—
Residential project in Shum Shui Po	Second-tier	MVAC systems	Dec 2015	Dec 2015 (Note 7)	Jul 2018	2.6	27,280	No	—	—	12,505	8,623	4,791	1,716	180	—
Residential project in Tseung Kwan O	Second-tier	MVAC systems	Jan 2016	Jul 2016 (Note 7)	Jun 2018	1.9	18,684	No	—	—	4,562	11,291	1,302	1,302	69	—
Non-residential project in Kwai Chung	Second-tier	MVAC systems	Jun 2017	May 2017	Jun 2018	1.1	13,980	No	—	—	—	12,038	4,886	—	—	—
29 completed projects each with the contract sum less than HK\$10.0 million (Note 9)							79,876	Yes	85	85	19,137	14,086	4,622	4,541	10	—

Notes:

1. Project commencement date refers to the date when the implementation phase of the respective projects begins and we commence works on-site.
2. Date of practical completion of works refers to the date as stated in the practical completion certificate issued by our customers or their agent (such as architect) to us.
3. Duration of implementation phase refers to the period from the project commencement date and the date of practicable completion of works.
4. Contract sum represents the original contract sum as agreed between the parties and excludes any subsequent additions or modifications arising from variation orders or contract price adjustments, and as such the final revenue recognised from a project may differ from the original contract sum.
5. Contract sum is greater than the amount of revenue recognised during the Track Record Period generally because a portion of the revenue has been recognised before the Track Record Period.
6. Revenue recognised may include those arising from variation orders as certified by customers. Revenue recognised after issuance of the practical completion certificate was mainly arising from certain contract works during the defect liability period.
7. A large part of the planning and administrative works of such projects has been undergone during the tendering stage, and as such, the project commencement date was close to the date of award period.
8. We were notified by the relevant customer that we were awarded the project and, at the request of the relevant customer, we started the field work before the issuance of the respective letter of award and/or signing of official contract. Accordingly, we commenced the on-site works prior to the date of award of this project.
9. During the Track Record Period, only one project with the contract sum less than HK\$10.0 million required performance bond.

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Projects on hand

As at the Latest Practicable Date, we had a total of 46 projects on hand (including projects in progress and projects that have been awarded to us but not yet commenced). The following table sets out a list of our major projects with contract sum over HK\$10.0 million on hand as at the Latest Practicable Date:

Particulars of the projects	Role in the subcontractor	Main service coverage	Date of award period	Project commencement date (Note 1)	Expected date of completion (Note 2)	Expected duration of implementation phase (Note 3) (Year(s))	Contract sum bond requirement (Note 4) HK\$'000	Performance bond amount As at 31 March		Revenue recognised during the Track Record Period (Note 4 & 5)			Estimated revenue to be recognised (Note 5)	
								2017 HK\$'000	2018 HK\$'000	FY2017 HK\$'000	FY2018 HK\$'000	FY2019 HK\$'000	FY2020 HK\$'000	FY2021 HK\$'000
Residential project in Plantation Road	First-tier	MVAC systems	Feb 2015	Oct 2015	Oct 2019	4.0	18,980	1,898	—	13,645	3,209	163	225	—
Residential project in Kai Tak	First-tier	MVAC systems	Jul 2016	Sep 2016	Oct 2019	2.7	77,200	—	—	2,518	50,335	24,120	2,317	—
Residential project in Tseung Kwan O	Second-tier	MVAC systems	Dec 2016	May 2017	Nov 2020	3.5	84,466	—	—	339	20,613	53,047	10,469	—
Residential project in Sha Tin	First-tier	MVAC systems	Nov 2016	Nov 2016	Apr 2020	3.4	92,880	—	—	711	11,050	58,627	25,926	1,471
Residential project in Fanling	First-tier	MVAC systems	Nov 2016	Jul 2017	Aug 2020	3.1	16,380	—	—	121	8,407	6,492	1,938	33
Residential project in Tuen Mun	First-tier	MVAC systems	Jun 2017	Oct 2017	Oct 2020	3.0	62,341	—	—	—	593	8,763	48,055	1,952
Residential project in Ma Tau Kok	First-tier	MVAC systems	Sep 2017	Nov 2017	Sep 2020	2.9	18,461	—	—	—	928	15,352	1,895	11
Non-residential project in Tai Wai	First-tier	MVAC systems	Jun 2017	Dec 2017	Dec 2020	3.0	13,200	—	—	—	2,937	5,326	4,317	420
Residential project in Tuen Mun (Project So Kwun Wat)	First-tier	MVAC systems	Sep 2017	Jan 2018	Apr 2021	3.3	173,280	—	16,728	—	2,854	30,269	119,830	14,327
Residential project in Sham Shui Po	First-tier	MVAC systems	Jan 2018	Mar 2018	Oct 2020	2.6	63,380	—	6,338	—	361	7,767	36,829	15,084
Residential project in Tin Shui Wai (Project Lot No. 34)	First-tier	MVAC systems	Jan 2018	Feb 2018	Oct 2020	2.7	92,982	—	—	—	576	6,759	76,795	7,477
Residential project in Ma Tau Kok	First-tier	MVAC systems	Jan 2018	Aug 2018	Jan 2021	2.4	19,880	—	—	—	282	808	16,327	2,463
Non-residential project in Tsuen Wan	First-tier	MVAC systems	Mar 2018	Jun 2018	Oct 2020	2.4	11,680	—	—	—	46	6,616	4,784	62
Residential project in Sham Shui Po	First-tier	Electrical systems	Mar 2018	Mar 2018	Oct 2020	2.6	93,265	—	9,327	—	362	13,463	45,785	28,655
Residential project in Plantation Road (Project Plantation Road)	First-tier	MVAC systems	Aug 2018	Sep 2018	Jun 2022	3.7	61,880	—	—	—	—	1,058	20,644	40,178
Non-residential project in Tsuen Wan (Project Wang Lung Street)	First-tier	MVAC systems	Oct 2018	Jul 2019	Oct 2020	1.3	34,856	—	—	—	—	25	7,388	26,930
Residential project in Tuen Mun (Project San Yick Lane)	First-tier	MVAC systems	Nov 2018	Mar 2019	Oct 2020	1.6	26,180	—	—	—	—	120	11,597	14,463
Residential project in Tai Kok Tsui	First-tier	MVAC systems	Oct 2016	Apr 2017	Aug 2020	3.3	10,500	—	—	308	5,322	3,255	1,603	11
Residential project in Sham Shui Po (Project Tonkin Street)	Second-tier	MVAC systems	Feb 2019	Apr 2019	Apr 2021	2.0	48,204	—	—	—	—	—	10,944	32,160
Residential Project in Yuen Long (Project Ap Lei Chau)	First-tier	Swimming pool, fountain and plumbing and drainage systems	Mar 2019	Jun 2019	Aug 2021	2.2	25,000	—	—	—	—	62	12,950	11,988
Residential Project in Aberdeen (Project Lung Tin Tsuen I)	First-tier	MVAC systems	Feb 2019	Jul 2019	Oct 2021	2.3	192,380	—	—	—	—	—	10,154	182,226
Residential Project in Yuen Long (Project Lung Tin Tsuen I)	First-tier	MVAC systems	Mar 2019	Jun 2019	Aug 2021	2.2	18,280	—	—	—	—	41	6,215	12,025
Residential Project in Kai Tak	First-tier	MVAC systems	Sep 2019	Mar 2020	Sep 2021	2.0	50,000	—	—	—	—	—	521	39,583
Residential Project in Kai Tak	First-tier	MVAC systems	Sep 2019	Mar 2020	Sep 2021	2.0	25,880	—	—	—	—	—	394	20,389
22 projects on hand each with the contract sum less than HK\$10.0 million (Notes 7 & 8)							90	6,945	11,082	23,022	21,064	16,255	—	—

Notes:

1. Project commencement date refers to the date or the expected date when the implementation phase of the respective projects begins and we commence works on-site.
2. The expected date of practical completion for a particular project is provided based on our management's best estimation taking into account factors including (without limitation) the expected completion date specified in the relevant contract or documents (if any), the percentage of work performed as certified by our customers and our project progress monitoring schedule.
3. Expected duration of implementation phase refers to the period from the project commencement date and the expected date of practicable completion of works.
4. The contract sum represents the original contract sum as agreed between our customers and us excluding any additions or modifications arising from variation orders, contract price adjustments and contingent and/or provisional contract amounts set out in the respective contracts, if any. A provisional sum is a sum of money provided in the contract by the customers for costs which cannot be entirely foreseen, defined or detailed at the time the tendering documents are issued. A contingent sum is an amount of money set aside by the customers to cover additional costs incurred for unforeseen works. As such the final revenue recognised from a project may differ from the original contract sum.
5. Revenue to be recognised going forward is estimated with reference to, among other things, the contract sum and the aggregate revenue recognised prior to and during the Track Record Period excluding any additions or modifications that may arise from variation orders or contract price adjustments.
6. A large part of the planning and administrative works of such projects has been undergone during the tendering stage, and as such, the project commencement date was close to the date of award period.
7. During the Track Record Period, only one project with the contract sum less than HK\$10.0 million required performance bond.
8. Minor works are not included as (i) their individual contract sum is less than HK\$300,000; and (ii) the duration of such minor works is relatively short.

Bidding phase

Tender invitation

We generally secure projects through tenders. We may be invited to join the tendering process through invitation letters, fax or emails from (i) property developers and/or the responsible agents; (ii) main contractors; or (iii) subcontractors to submit tender for a potential project. As confirmed by our Directors, the same invitation methods apply to both first-tier and second-tier subcontracting projects undertaken by us during the Track Record Period. Once we have confirmed our interest in submitting a tender, the inviting party will send us tender related documents and information setting out, among other things, the relevant project information, the estimated project size and the expected project commencement and completion date to facilitate our tender analysis and preparation. In relation to projects secured by us without tenders, we generally receive inquiries or request for quotations from potential customers via phone calls or emails.

Evaluation and assessment of tender and budgeting

After receiving the tender information and requirements, our tender contracts department will conduct a preliminary assessment to evaluate, amongst others, the potential profitability of the project, the project technical feasibility, our available manpower and working capital resources based on estimated cost of labours and materials, the project schedule, safety and environmental risk analysis, and other possible risk factors associated with such project.

To facilitate our assessment, we generally obtain preliminary quotations for relevant subcontracting works (if required), materials and accessories (particularly MVAC systems in relation to first-tier subcontracting projects) from potential subcontractors and suppliers to facilitate a better estimate on project costs, and recorded in the project information form for above information. The quantity surveying manager will prepare the tender document for submission after discussion with chief executive director and project director of above information and estimation.

We may conduct initial project planning during the course of evaluation and assessment of a potential project. Our quantity surveying managers are mainly responsible for preparing an overall project budget detailing our estimates on all major costs of a project which, if we are subsequently awarded the project, will be reviewed and analysed against our actual expenses incurred on a quarterly basis and updated as necessary throughout our project implementation, as a means of assessing the project's overall profitability on an ongoing basis and for better project management and monitoring.

Preparation and submission of tender documents

Our quantity surveying manager is responsible for preparing a tender according to the specific requirements of the tender invitation and our preliminary evaluation and assessment. Our tender documents generally include information such as our estimations of the E&M engineering works involved, manpower and duration of work requirement, materials costing (including, where applicable and as requested, costs of MVAC systems for alternative brands), and our overall tender quotation. The estimated cost of manpower and material we would base on the quotation obtained from our suppliers and/or subcontractors in the evaluation and assessment phase. Our tender is reviewed and approved by our chief executive director before submission to the relevant inviting party. After our submission of tender documents and before the announcement of tender results, the relevant inviting party may further negotiate with us on the submitted tender or, by way of interview or enquiries, clarify with us (as with other tenderers) the particulars set out in our tender documents as part of their evaluation and selection process against the tenders received. The tender selection and award process of our customers, according to our internal record which generally within six months. In relation to projects secured by us without tenders, we will prepare and submit quotations in accordance with the inquiry or request for quotation from potential customers. After our submission and before the confirmation of our quotations, we may further negotiate with potential customers on the quotations.

Tender acceptance and award of projects

If the inviting party decides to accept our tender and award the project to us, we will be informed of its acceptance of our tender, typically by a letter of acceptance or letter of award. Thereafter, a formal contract setting out the terms and conditions of our engagement including, among others, the contract period, scope of work, contract price and payment terms will be finalised and entered into between the relevant contracting party and us. In relation to projects secured by us without tenders, our customers may issue a letter of engagement or simply sign on our quotation as a form of acceptance. Please refer to the paragraph headed “Customers — Major terms of engagement with our customers” in this section for principal terms of our engagement in a typical contract. During the Track Record Period, we were involved in projects whereby we were accepted by property developers and/or their responsible agents (as the inviting party) of a project via tendering process and subsequently nominated by such inviting party to act as the nominated subcontractor to the relevant main contractor of the aforementioned project. The nominated subcontracting projects involve largely similar tendering process to that of other projects, except for the identity of the tender inviting party. Should we be chosen as a nominated subcontractor by property developers and/or their responsible agents via tendering process, we are generally issued with a letter of nomination by such property developers and/or their responsible agents and subsequently engaged by the relevant main contractor. In relation to other projects, we submit tenders to and are engaged directly by the main contractors.

BUSINESS

Our tender success rate

The following table summarises our overall tender success rate during the Track Record Period:

	FY2017	FY2018	FY2019
Number of tenders submitted which results are known	40	33	52
Number of tenders awarded	14	12	17
Success rate (%) ^(Note)	35.0	36.4	32.7

Note: Tender success rate for a given financial year or period indicated is calculated as the percentage rate in which tenders submitted for a given financial year indicated is subsequently being awarded projects.

Our overall tender success rate was approximately 35.0%, 36.4% and 32.7% for FY2017, FY2018, and FY2019, respectively. To the best knowledge of our Directors, not all the tenders submitted by our Group in FY2019 has announced the tender results. Please refer to the section headed “Risk factors — Risks relating to our business — Our revenue derived from E&M engineering projects which are non-recurrent in nature and any failure of our Group to secure new projects would affect our operations and financial results” in this prospectus for further details.

If a tender is not successful, our Directors will discuss with our project managers to review our tender strategy for future reference.

Other than tender invitations, our customers may from time to time approach us directly and request for quotations on potential project and minor works engagements without a competitive tendering process. During the Track Record Period, we mainly secure our minor works through quotation request.

Planning and administration phase

Due to the nature of construction projects, we usually provide E&M engineering works towards the later stages of a development project, typically after the completion of the superstructural work. As such, there is a time difference among securing of an E&M engineering project and the implementation phase. The duration from project identification to execution may vary depending on the master programmes provided to us by our customers. Prior to the implementation phase, we generally undertake a planning and administration phase for preparation work including (i) assessment of further subcontracting necessity and procurement of major materials; and/or (ii) formation of project team, review and design for installation proposal and arrangement of construction workers.

Formation of project team

We will form a project team once we have been awarded a project. Depending on project requirements, our project team mainly comprises:

Team composition: Responsibility:

Project manager	<ul style="list-style-type: none">— Overall project management and ongoing liaison with suppliers, subcontractors and customers and statutory bodies— Report to our management team on project progress— Site visit and inspection— Monitoring and ensuring project progress in accordance with the corresponding master program— Reviewing existing utilisation of manpower and deploying available construction workers to a project
Project engineer	<ul style="list-style-type: none">— Administering site operation, including preparing and implementing the suitable works and preparing paper works— Reporting duties to project manager— Site visit and preparation of progress report— Responsible for electrical circuitry design, installation and maintenance of electrical system to comply with statutory requirements
Supervisor	<ul style="list-style-type: none">— Monitoring and ensuring quality of work, working progress and job performance carried out by our workers or subcontractors— Site inspection
Construction worker (if we provide direct labour in the project)	<ul style="list-style-type: none">— Installation of electrical system which include power distribution and provision of electrical power and control system for air-conditioning system, mechanical ventilation system, plumbing and drainage system, swimming pool and filtration system. (if the construction worker is a licensed electrical worker)— Installation of air-conditioning system, mechanical ventilation system, plumbing and drainage system, swimming pool and filtration system

Master kick-off meeting

In relation to first-tier subcontract projects, we typically participate in a master kick-off meeting as co-ordinated by the main contractor, who will then issue a master programme setting out the implementation plan for the development project including among other matters, various stages of project execution and scheduled duration in which our part of the E&M engineering services is included.

Review and design the installation plan

After securing a project, our project manager and project engineer will review the preliminary design proposal for E&M works related plan provided by the customer, and if we see fit, we may submit an alternative design and installation proposal or otherwise make appropriate adjustments to the preliminary design in order to comply with the technical requirements and enhance cost efficiency. Our project team will formulate appropriate design and installation proposal which satisfies the specific requirements of the customer and the relevant code of practice and regulations, which is more cost-effective. These design drawings will be submitted to the main contractor and project consultant for review and approval. During the implementation phase, our project team works closely with our representative of inviting party and site foremen or subcontractors to work out various details of work plan and installation programme such as costs, construction materials and the expected completion time required for the project.

Procurement of materials and accessories and arrangement of construction workers

Procurement of materials and engagement of subcontractors will generally be done in accordance with the master program and our work plan schedules. For projects of which we are the first-tier subcontractors, unless specified under the agreement that we are second-tier subcontractor, we are responsible for the procurement of major materials. During the Track Record Period, we procured the major types of materials including but not limited to air conditioners, thermo ventilators, ventilation fans and ventilation duct and accessories which included cables and copper tubes. We would place orders according to our quotations which obtained from the suppliers previously in the tender stage and indicate on our purchase orders the different tentative delivery dates and the corresponding batches of quantities required. For major materials such as air conditioners we typically require delivery to be made directly to the relevant work sites for immediate use or installation. For certain accessories such as cables and copper tubes and fittings, depending on specific project work plans we may require delivery to our workshop for certain pre-assembling works before they are on-shipped to the work sites within a short timeframe.

We generally place orders for materials and accessories used in our projects according to our work plan and schedules, and our foremen are responsible for the overall scheduling of orders and deliveries to better manage the timeliness of such deliveries with their actual installation and application schedules.

If our project manager consider that we do not have significant manpower to carry out our project, we will recruit related shortage position from the open market mainly via Labour Department and placing advertisement.

Engagement and supervision of subcontractors

Depending on the scale of a project, the specific technicalities required, the required completion timeframe and our manpower availability, we may engage subcontractors to assist us in completing on-site works of a project. We generally engage subcontractors to perform installation of MVAC systems only. We maintain an approved list of

subcontractors which is updated as needed based on our performance review of these subcontractors from time to time. Please refer to the paragraph headed “Subcontractors” in this section below for details of our arrangements with these subcontractors.

Where subcontractors are engaged to assist us in completing a project, these subcontractors are normally required to equip themselves with the certain minor materials and accessories such as tiny metal components and spare parts for performing the works delegated.

Implementation Phase

On-site installation

We will perform our scope of work based on the contract, the installation plan that the customer agreed. For details of our works, please refer to the paragraph headed “Our services” in this section. To ensure quality installation by our subcontractors, we will provide a sample installation for our customer approval and require our subcontractors to conduct on-site installation according to the approved sample and installation details by our customers to perform the abovementioned installation of MVAC system.

Prior to the installation of the MVAC units, we generally perform preparatory work including electrical and control work and system pipework. Ancillary materials including, among other things, ventilation ducts and electric materials and components, are required in carrying out such works. According to our internal records, depending on the size and complexity of a project, such preparatory work may take up to thirteen months. Meanwhile, we estimate the delivery timing of major materials such as MVAC units based on the expected completion of preparatory work in order to proceed with the installation of such MVAC units. Depending on our agreement with relevant suppliers, we either (i) issue letters of credit for 100%; or (ii) pay deposits of up to 30.0% within four months and no later than two months prior to the first delivery of MVAC units. As preparatory work may take up to thirteen months, we may therefore apply for the issuance of letters of credit or pay deposit after the commencement of relevant projects. We generally do not request for MVAC units delivery at the preparatory work stage due to space constraints at relevant project sites. This is to avoid the MVAC units from hindering preparatory work progress.

Site inspections and progress meetings

During the implementation stage, our project manager, safety officer and on-site safety supervisor will conduct periodic site inspection to ensure our subcontractors and/or our construction workers comply with the contractual requirements and the relevant laws and regulations. Our subcontractors are required to follow our internal control measures in relation to quality control and safety requirement and report to us on a monthly basis. These measures ensure the works performed by our Group and/or our subcontractors are up to the standard and completed within the time stipulated in the contract and follow the project budget. Our executive Director will have regular meetings with our project team to update on the project progress and discuss major issues.

BUSINESS

Apart from our project manager, our customer (or the main contractor) will also assign representatives to supervise the implementation of the overall construction project (including our part) and monitor the work progress. Our project team will have project progress meetings with such representatives on a regular basis to report and follow up on relevant issues involved.

Progress payments

Our Group's E&M service contracts normally require our customers to make progress payments on a monthly basis. Our project engineer would visit the project site and inspect the site progress to prepare progress report. Based on the progress report, our quantity surveyor officer will prepare the interim payment application for our chief executive officer's approval. We submit to relevant property developer (or their designated main contractor) interim payment applications which generally include, among other things, details of the works completed during the period and, where we are responsible for procurement of materials and related cost for installation during the period. Our customer (or the architects or representatives appointed by such customer) will issue a progress certificate certifying the portion of works completed after our customer's quantity surveyor inspection, which normally takes around 30 to 60 days from the date of progress payment application. Generally, we will submit our first interim payment application around three to nine months after commencing our site work according to site progress. We typically receive our first project payment two to three months after the first submission of the interim payment application.

Variation Orders

Our customers may demand additions and/or modifications on our scope of work which may range from relatively minor on-site out-of-scope works, dismantling our works done and re-working due to changes in architectural and/or layout designs, change in design or expansion pipeworks and procurement and installation of additional MVAC systems or electrical system. Our customers may request these additional and modification works from time to time in different stages of a project, pursuant to which we may obtain a letter of the variation order from customers setting out the works to be added to, modified upon or deleted from the original contractual terms.

Works done under variation orders are subject to verification by our customers and are typically certified in the form of payment certificates. Based on the best understanding and experience of our management, the timeframe for verification and certification of our variation orders may differ from project to project and from customer to customer, and may be affected by factors such as practice and internal procedures of our customers, complexity and scale of variation orders and number of variation orders involved in a project. According to the Ipsos Report, variation orders are relatively common among the construction related industries and the above arrangements are generally in line with industry practices.

Completion Phase***Defects liability period and release of retention money***

Once the contracted installation works are completed, we will obtain approval for any applicable performance test and perform relevant system testing and prepare a report for customers' acceptance together with corresponding operating and maintenance manual and as-fitted drawings. A project is normally regarded as practically completed when a practical completion certificate is issued by the architect, surveyors or other representatives appointed by the customers of the overall construction project.

Our customers normally require a defects liability period, during which time we are responsible for rectifying defects or imperfections discovered after completion in relation to our work done. The defects liability period typically lasts for 12 to 24 months after practical completion. Our customers usually withhold 5%–10% of each interim payment of projects as retention money to secure our Group's due performance of the contracts. It is generally stipulated in our contracts that 50% of the retention money will be released to us upon practical completion of a project and the remaining 50% of the retention money will be released upon expiry of the defects liability period subject to the clearance of all defects in a project. As at 31 March 2017, 2018 and 2019, our retention receivables amounted to approximately HK\$27.6 million, HK\$32.4 million and HK\$37.8 million, respectively. Please refer to the section headed "Financial information — Description of selected items of the consolidated statements of financial position — Contract assets/liabilities" in this prospectus for a further discussion and analysis regarding our retention receivables. During the Track Record Period, we did not experience any material claim by our customers arising from defective works, and have not made provisions for potential claims by our customers arising from defective works during the defects liability period.

CUSTOMERS

We generally undertake E&M engineering projects as a first-tier or second-tier subcontractor. Please refer to the section headed "Industry overview — Overview of the E&M engineering industry in Hong Kong — Introduction and definition" for further details on types of first-tier subcontractors and their relationship with project owners and the main contractor.

Major customers

For FY2017, FY2018 and FY2019, revenue attributable to our single largest customer amounted to approximately 27.4%, 27.2% and 18.7% of our total revenue, while revenue attributable to our top five largest customers in aggregate amounted to approximately 87.8%, 70.0% and 61.1% of our total revenue, respectively.

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The following tables set forth the breakdown of our revenue by our five largest customers for FY2017, FY2018 and FY2019 and their respective background information:

For FY2017:

Rank	Customer	Type of services provided by the Group	Approximate year(s) of business relationship as at Latest Practicable Date	Credit terms	Settlement method	Revenue (HK\$'000)	Approximate % of our Group's total revenue
1.	Customer A (Note 1)	MVAC systems	5	14 days	Cheque/teletransfer	52,986	27.4
2.	Customer B (Note 2)	MVAC systems	2	7 days	Cheque	48,151	24.9
3.	Customer C (Note 3)	MVAC systems	14	30 days	Teletransfer	34,465	17.8
4.	Customer D (Note 4)	MVAC systems	3	7 days	Cheque	27,044	14.0
5.	Customer E (Note 5)	Electrical systems	4	30 days	Cheque	7,081	3.7
Total						169,727	87.8

For FY2018:

Rank	Customer	Type of services provided by the Group	Approximate year(s) of business relationship as at Latest Practicable Date	Credit terms	Settlement method	Revenue (HK\$'000)	Approximate % of our Group's total revenue
1.	Customer D (Note 4)	MVAC systems	3	7 days	Cheque	57,342	27.2
2.	Customer C (Note 3)	MVAC systems	14	30 days	Teletransfer	34,441	16.3
3.	Customer F (Note 6)	MVAC systems	2	45 days	Cheque/teletransfer	20,613	9.8
4.	Customer A (Note 1)	MVAC systems	5	14 days	Cheque/teletransfer	19,147	9.1
5.	Customer G (Note 7)	MVAC systems	5	14 Days	Cheque	16,008	7.6
Total						147,551	70.0

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For FY2019:

Rank	Customer	Type of services provided by the Group	Approximate year(s) of business relationship as at Latest Practicable Date		Credit terms	Settlement method	Revenue (HK\$'000)	Approximate % of our Group's total revenue
1.	Customer H (Note 8)	MVAC systems	3	14 days		Cheque	58,627	18.7
2.	Customer F (Note 6)	MVAC systems	2	45 days		Cheque/teletransfer	53,047	17.0
3.	Customer I (Note 9)	MVAC systems	2	14 days		Cheque	30,269	9.7
4.	Customer A (Note 1)	MVAC systems	5	14 days		Cheque/teletransfer	24,684	7.9
5.	Customer D (Note 4)	MVAC systems	3	7 days		Cheque	24,325	7.8
						Total	190,953	61.1

Notes:

1. A subsidiary of a prominent listed property developer in Hong Kong, with business covering, among others, property development and investment, hotel operation service, infrastructure and department store primarily in Hong Kong and China. According to the latest annual report available on the website, the listed company recorded revenue of approximately HK\$60,689 million for the year ended 30 June 2018.
2. A wholly-owned subsidiary of a listed property developer and building contractor in Hong Kong, with business covering, among others, property development and investment, construction, property agency and management service and health products in Hong Kong and China. According to the latest annual report available on the website, the listed company recorded revenue approximately HK\$1,948 million for the year ended 31 March 2019.
3. A subsidiary of a prominent listed property developer in Hong Kong, with business covering, among others, property development and investment, hotel operation, telecommunications, transport infrastructure and logistics primarily in Hong Kong, China and Singapore. According to the latest annual report available on the website, the listed company recorded revenue of approximately HK\$85,644 million for the year ended 30 June 2018.
4. A wholly-owned subsidiary of a listed property developer in Hong Kong, with business covering, among others, roads, facilities management, construction & transport and logistics in Hong Kong, Macau, China and others. According to the latest annual report available on the website, the listed company recorded revenue of approximately HK\$35,115 million for the year ended 30 June 2018.
5. A wholly-owned subsidiary of a listed E&M engineering group engages in provision of E&M engineering and technology services to a wide range of projects and sectors in Hong Kong, Macau and China. According to the information publicly available, the listed Company recorded revenue of approximately HK\$5,966 million for the year ended 31 December 2018.
6. A subsidiary of a private group in Hong Kong, with business covering, among others, as agent or distributor for different products, E&M engineering services, logistics, property investment and management and system installation and maintenance in Hong Kong, Macau and China.

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7. A wholly-owned subsidiary company of a prominent listed property developer in Hong Kong, with business covering, among others, property development and investment in Hong Kong and China project and property management, construction and provision of finance. According to the latest annual report available on the website, the listed company recorded revenue of approximately HK\$21,982 million for the year ended 31 December 2018.
8. A subsidiary of a listed company in Hong Kong, with business covering, among others, property development management, property investment and management contracting in Hong Kong, Macau, China, Singapore and Malaysia. According to the latest annual report available on the website, the listed company recorded revenue of approximately HK\$9,382 million for the year ended 31 March 2019.
9. A subsidiary of a listed company in Hong Kong principally engages in construction business project consultancy services, thermoelectricity business, infrastructure project investments, toll road operation and facade construction business. According to the latest annual report available on the website, the listed company recorded revenue of approximately HK\$55,626 million for the year ended 31 December 2018.

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

Customer concentration

For FY2017, FY2018 and FY2019, the percentage of our total revenue attributable to our top five largest customers combined amounted to approximately 87.8%, 70.0% and 61.1% respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 27.4%, 27.2% and 18.7% respectively for the same periods.

Our Directors acknowledge that our customers are concentrated and are aware of the risks generally associated with customer concentration. During the Track Record Period, we reduced our customer concentration by actively tendering. Nevertheless, we do not consider such customer concentration impacts negatively on our sustainability for the following reasons:

- According to the Ipsos Report, a relatively high level of customer concentration is an industry norm in the construction industry in Hong Kong due to the fact that the industry is fairly consolidated. Moreover, due to the concentrated competitive landscape with limited number of upstream dominant players in the property development industry, our potential customer base is relatively limited.
- It is common that a small number of projects with a large contract sum can contribute to a substantial amount of revenue. In addition, such large-sized projects normally have a long duration of project execution, typically over one year. As a result, when we undertake projects with large contract sum, the relevant customers may easily become our top five customers as we recognised revenue throughout our project execution according to the percentage of completion of our work during the financial year.

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- We have been expending significant efforts to diversify our customer base through actively tendering and have secured projects from various property developers in Hong Kong during the Track Record Period, whose business relationship with us only started during such period. In addition, there has been a decreasing trend in the percentage of revenue contributed from Customer A to our total revenue, from approximately 27.4% for FY2017 to approximately 7.9% for FY2019.
- During the Track Record Period, our tender success rate was 35.0%, 36.4% and 32.7% for FY2017, FY2018 and FY2019 which remained stable. We generally secured our projects through competitive tenders. Our Group will consider available resources, capacity and related tender information to perform assessment of each received tender, for further details please refer to the paragraph headed “Our business operations — Bidding phase — Evaluation and assessment of tender and budgeting” in this section.

Marketing activities

We generally secure new businesses mainly through tender by invitation, and do not maintain a specialised team of sales and marketing staff. Instead, our founder and executive Director, Mr. Ko, having possessed extensive industry experience and established relationships with market players, are generally responsible for liaising and maintaining our relationship with property developers as well as main contractors and keeping abreast of market developments and potential business opportunities.

Pricing strategy

We generally adopt a cost-plus model for our tenders and quotations, with markup determined on a project-by-project basis. In particular, we will consider the following factors:

- types of E&M engineering works involved;
- manpower required;
- extraordinary requirements (if any) of the tender or quotation documents;
- project timeframe and estimated completion;
- availability of our construction workers, and expected materials cost and subcontracting cost involved;
- expected technical difficulties;
- our relationship with the inviting party; and
- the prevailing market conditions in general.

BUSINESS

To facilitate our budget and initial cost estimates, we sometimes obtain preliminary quotations for relevant subcontracting works (if required), materials and accessories (particularly MVAC systems in relation to first-tier subcontracting projects) from potential subcontractors and suppliers to facilitate a better estimate on project costs. We generally incorporate a certain margin on estimated costs of materials and accessories when preparing our tenders and project quotations, and generally strive to negotiate and agree with relevant suppliers for competitive pricing terms as a mean to safeguard our profit margin.

Cost control

We generally secure projects through tenders, which are prepared by us with reference to information provided to us before the commencement of a E&M engineering project. Such preparation includes, but not limited to, our budget and manpower estimation for the project. Any material deviation in the actual time and resources spent from initial estimation may result in significant cost overruns which may in turn adversely affect our project profitability and hence our financial results. Besides, material costs deployed in projects is also a crucial factor which may impact our project profitability. We monitor work progress and quality of our project and its overall adherence to our project budget, make arrangements with and supervising our subcontractors and suppliers, oversee materials and accessories sourcing. In addition, our project budget is analysed against actual costs incurred on a quarterly basis and updated if material deviations are noted, to facilitate our on-going cost control and monitoring of project profitability.

During the Track Record Period, we did not experience any material inaccurate budget estimation or significant cost overruns.

Major terms of engagement with our customers

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

- | | | |
|------------------------|---|---|
| <i>Contract period</i> | : | The contract period varies depending on the size and complexity of the project. Such period may be extended pursuant to the terms of the relevant contract. |
| <i>Scope of work</i> | : | This term identifies the types and scope of work in detail which we are engaged to perform under the contracts. Please refer to the paragraph headed “Our services” in this section for further details. |
| <i>Contract sum</i> | : | A contract generally states an agreed contract sum for carrying out the agreed scope of work, which represents a provisional price subject to measurement and other adjustments pursuant to the contract. |

BUSINESS

- Bills of quantities or schedule of rates* : Our contracts with customers would usually include the bills of quantities or schedule of rates which generally contain the description of the types, specifications, and quantities of works to be done and the unit rates for each type of works under the project.
- Payment terms* : For interim or progress payment, we generally provide our customers with a written statement of the details of completed works and the estimated fee of our completed works on a monthly basis. In respect of final payment, we usually submit a final payment application showing the amount we are entitled to for our customers' approval. Please refer to the paragraphs headed "Our business operations — Implementation phase — Progress payments" and "Our business operations — Completion phase — Defects liability period and release of retention money" in this section for further details.
- Retention money* : Our customers may hold up a certain percentage of each interim payment made to us as retention money. Such percentage is generally 5%–10% of each interim payment. Retention money withheld are normally released to us in two tranches, at the agreed schedule that may vary.
- Variation orders* : Our customers may instruct us to carry out additions and/or modification of our scope of work under the original contract by variation orders, for details please refer to the paragraph headed "Our business operations — Implementation phase — Variation orders" in this section.
- Performance guarantees* : Depending on the requirements of the contracts, we may be required to provide performance bonds within certain days after the award of the subcontract in the amount of certain percentage of the contract sum with financial institutions or personal guarantees made in favour of our customers. These performance guarantees will usually remain in effect until the end of the defect liability period of the project. Our customers may utilise the performance bonds or the personal guarantees to make good any loss or damages sustained as a result of any breach of the contracts with them due to us, including any liquidated damages.

BUSINESS

Liquidated damages and extension of time for completion : A contract may contain clauses on liquidated damages to protect our customers against any significant delays in completion of works subcontracted to us. However, under certain circumstances such as adverse weather conditions or issue of variation orders, our customers may grant us extension of time without the need to pay liquidated damages.

Insurance : Our customers (as main contractors) are responsible for taking out contractors' all risk insurance, employees' compensation insurance and third party liability insurance. Please refer to the paragraph headed "Insurance — (ii) Contractors' all risks insurance and other insurance taken out by the main contractor" in this section for details of insurance taken by the main contractor in this section for further details.

Indemnities : We are typically required to indemnify our customers against (i) all losses, liabilities, claims, damages, costs, charges and expenses which may arise out of or in connection with any breach of the subcontract, negligence, non-compliance of any laws and regulations, omission on the part of our Group, our employees, our subcontractors, our subcontractors' employees or any persons in connection with us; or (ii) any loss, liabilities, claims, damages, costs, charges and expenses resulting from any bodily injuries, death or occupational diseases of our employees, our subcontractors, our subcontractors' employees or any persons in connection with us (to the extent that is not covered by insurance).

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

Termination : If, in the opinion of our customers, we fail to execute works in accordance with such customers' requirements and our works are unsatisfactory or likely to be so, or if we become bankrupt or insolvent, our customers are entitled to terminate our contract by giving advance notice of intention of doing so.

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

BUSINESS

Defects liability period : We are generally subject to a defects liability period and we are responsible for rectifying defective works, if any, at our own expense during such period. The defects liability period, which is normally 12 to 24 months depending on the nature and scale of a project, generally commences upon the date of practical completion of such project.

If any defects are identified, we will undertake rectification works such that the defects can be remedied as soon as practicable. We will then arrange for our construction workers to execute the rectification works at our own costs or, where applicable, require the relevant subcontractor to rectify the defects and/or bear the rectification costs.

Credit management and collection of our trade receivables and retention receivables

The typical credit terms during the Track Record Period was generally 7 days to 90 days from the issuance of payment certificate. Our accounts receivable is normally settled by cheque in Hong Kong dollars. We determine specific provision for doubtful debts relating to accounts receivable on a case-by-case basis and provision is made when there is objective evidence that our Group will not be able to collect part or all of the outstanding debts. Our Directors confirm that we did not make any provision for doubtful debts relating to accounts receivable during the Track Record Period.

As at 31 March 2017, 2018 and 2019, we recorded trade receivables of approximately HK\$12.3 million, HK\$19.3 million and HK\$29.4 million, respectively. Our trade receivables turnover days were approximately 14.9 days, 27.4 days and 28.4 days, respectively. In addition, our largest trade receivable due from our Group's customers represented approximately 57.1%, 37.0% and 23.4% of our total trade receivables as at 31 March 2017, 2018 and 2019.

We have established relationships with customers who possess good credit standing and proven payment record. Before submitting a tender or quotation to a potential customer, we would assess the credit-worthiness and reputation of that customer. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review 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. We assessed impairment for our trade receivables on an individual basis based on internal credit rating. Expected credit loss is estimated by us based on historical observed default rates over the expected life of debtors, their external credit ratings (if any), industry and general economic conditions, and are adjusted for forward-looking information that is available without undue cost or effort. No impairment was made for trade receivables during the Track Record Period because the Group's customers are mainly sizeable companies or contractors in Hong Kong with high credit rating.

BUSINESS

Please also refer to the section headed “Financial information — Description of selected items of the consolidated statements of financial position — Trade and other receivables, deposits and prepayments — Trade receivables” in this prospectus for further discussion and analysis on our trade receivables and our trade receivables turnover days during the Track Record Period.

SUPPLIERS

Characteristics of our suppliers

We source our major materials such as air conditioners and ventilation fans and accessories such as pipes and fittings from our suppliers. During the Track Record Period, our suppliers were all located in Hong Kong and all our purchases were denominated in Hong Kong dollars. We generally settle our purchases by cheques.

We do not enter into any long-term supply agreements with our suppliers and order relevant materials and accessories on a project-by-project basis. Our Directors believe that we have maintained good business relationships with our suppliers. As at the Latest Practicable Date, there were over 150 suppliers included in our approved list of suppliers. We select our suppliers from our approved list of suppliers based on their prices, quality, past performances and timeliness of deliveries. Our suppliers of materials and accessories normally grant us a credit period of up to 60 days from the invoice date.

Prices of materials and accessories

Prices of our materials and accessories are determined by reference to quotations of suppliers as agreed between us and such suppliers on an order-by-order basis. When preparing tenders and quotations for our potential projects, we generally conduct preliminary enquiries or obtain preliminary quotations from our suppliers for major materials such as MVAC systems. Due to the length of time between our tender submission, tender securing and actual commencement of relevant projects, we may confirm the validity of prices quoted by suppliers during our tender preparation, and for the procurement of MVAC system, we generally (i) issue letters of credit; or (ii) pay deposits of up to 30.0% of quoted aggregate sum to such suppliers after securing the relevant tender but before the actual project commencement (depending on the estimated completion of preparatory work) to secure material prices in order to minimise our risk of material price fluctuations during such length of time. In instances where we pay such deposits, depending on our agreement with relevant suppliers, we are required to pay for the material deliverables of up to 70.0% of the total material deliverables upon their delivery, and the remainder 30.0% subsequent material deliverables will be paid by our deposit. As such we are generally able to estimate and factor in our costs of materials and accessories into our project tenders and quotations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and accessories that had a material impact on our business, financial condition or results of operations.

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Major suppliers

For FY2017, FY2018 and FY2019, purchases from our largest supplier amounted to approximately 12.9%, 7.9% and 5.5% of our total cost of services, respectively, while purchases from our five largest suppliers combined amounted to approximately 21.5%, 17.0% and 17.9% of our total cost of services, respectively.

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

Five largest suppliers for FY2017

Name of supplier	Principal business	Types of materials procured by us	Approximate year(s) of business relationship as at Latest Practicable Date		Credit terms	Settlement method	Total purchase amount from supplier (HK\$'000)	Approximate % of our Group's total cost of service %
1. King Tech Engineering Company Limited ("King Tech")	A private company that principally engages in engineering general contractor.	Air conditioners	5	Within 30 days		Cheque	19,124	12.9
2. Supplier A	A private limited company that principally engages in provision of air-conditioner distribution and conducting minor construction.	Air conditioners	4	Within 30 days		Cheque	4,824	3.2
3. Supplier B	A private limited company that principally engages in manufacturing ventilation duct.	Ventilation duct	8	Within 30 days		Cheque	3,466	2.3
4. Supplier C	A private company that principally engages in manufacturing accessories.	Ancillary accessories	9	Within 30 days		Cheque	2,384	1.6
5. Yuen Fong Air-Condition Products (HK) Limited ("Yuen Fong")	A private limited company that principally engages in manufacturing ventilation duct and related products.	Ventilation materials	3	Within 30 days		Cheque	2,290	1.5
Total							32,088	21.5

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Five largest suppliers for FY2018

Name of supplier	Principal business	Types of materials procured by us	Approximate year(s) of business relationship as at Latest Practicable Date		Settlement method	Total purchase amount from supplier (HK\$'000)	Approximate % of our Group's total cost of service %
			Practicable Date	Credit terms			
1. San Yik Air Conditioning Engineering Company Ltd. ("San Yik")	A private limited company that principally engages in distribution of air-conditioner.	Air conditioners	3	Within 30 days	Cheque or Letter of credit	12,080	7.9
2. Yuen Fong	A private limited company that principally engages in manufacturing ventilation duct and related products.	Ventilation equipment	3	Within 30 days	Cheque	4,159	2.7
3. J&J Network Engineering Company Limited	A private limited company that principally engages in E&M design and installation.	Electric materials and components	4	Within 30 days	Cheque	3,781	2.5
4. Chit Shing Air Conditioning Trading Limited ("Chit Shing")	A private limited company that principally engages in manufacturing ventilation equipment and ancillary products.	Ventilation materials	1	Within 30 days	Cheque	3,304	2.2
5. Supplier D	A private limited company that principally engages in the supply of steel products.	Ventilation materials	1	Within 30 days	Cheque	2,674	1.7
Total						25,998	17.0

Five largest suppliers for FY2019

Name of supplier	Principal business	Types of materials procured by us	Approximate year(s) of business relationship as at Latest Practicable Date		Settlement method	Total purchase amount from supplier (HK\$'000)	Approximate % of our Group's total cost of service %
			Practicable Date	Credit terms			
1. Chit Shing	A private limited company that principally engages in manufacturing ventilation equipment and ancillary products.	Ventilation materials	1	Within 30 days	Cheque	12,670	5.5
2. San Yik	A private limited company that principally engages in distribution of air-conditioner.	Air conditioners	3	Within 30 days	Cheque or Letter of credit	12,102	5.2
3. King Tech	A private company that principally engages in engineering general contractor.	Air conditioners	5	Within 30 days	Cheque	8,740	3.8
4. Supplier E	A subsidiary of a private group that principally engages in providing electrical, mechanical and lighting products in Hong Kong, China and Macau.	Ventilation equipment, electric materials and components	5	Within 30 days	Cheque	3,998	1.7
5. Supplier C	A private company that principally engages in manufacturing accessories.	Ancillary accessories	9	Within 30 days	Cheque	3,878	1.7
Total						41,389	17.9

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

Transactions with Chit Shing

Relationship with Chit Shing

To the best knowledge of our Directors, Mr. Ko Sang (“**Mr. S Ko**”), a grandson of the uncle of Mr. Ko owned 69% of Chit Shing and the rest of the shareholding is held by an Independent Third Party. For further details, please refer to the section headed “Financial information — Related party transactions” and note 29 in Appendix I to this prospectus.

Business relationship with Chit Shing

Our business relationship with Chit Shing started in 2017. Since then, we have purchased ventilation materials from Chit Shing. For FY2017, FY2018 and FY2019, our total purchases from Chit Shing amounted to approximately nil, HK\$3.3 million and HK\$12.7 million, respectively, representing nil, 2.1% and 5.5% of our total cost of services for the respective period. The increasing trend of purchase from Chit Shing is consistent with our increase in business. Our Directors confirm that the transactions were conducted on normal commercial terms and the terms were no less favourable than terms available from the Independent Third Parties.

Transactions with connected suppliers

During the Track Record Period, Mibuka Denki Electrical Controls Limited (“**Mibuka**”), 52% owned by Mr. Ko and 48% owned by an Independent Third Party, supplied electrical control equipment to us. During the Track Record Period, the total purchases of electrical control equipment from Mibuka amounted to approximately HK\$260,000, HK\$109,000 and HK\$221,000 for FY2017, FY2018 and FY2019, respectively. For further details, please refer to the section headed “Connected Transactions — Fully exempt continuing connected transactions — Provision of electrical control equipment by Mibuka to Chit Tat”.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects as a result of materials and accessories shortage or delay in deliveries.

SUBCONTRACTORS

Depending on the scale of a project, the specific technicalities required, the required completion timeframe and our manpower availability, we may engage subcontractors to assist us in completing on-site works of our project. While we may subcontract out part of the installation process or overall installation works for a project, we are typically responsible for the quality control of the works of our subcontractors to ensure their conformity to customers' requirements and our project team with close supervision and management on the works of our subcontractors. We do not entered into any long term agreement with our subcontractors during the Track Record Period. During the Track Record Period, all of our subcontractors were located in Hong Kong and all of our subcontracting fees were denominated in HK dollars.

We are accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractors for a project and do not limit which subcontractors are used by us. According to the agreements we entered into with our subcontractors, we are entitled to hold our subcontractors liable for any damages suffered by our Group as a result of their works.

For FY2017, FY2018 and FY2019, we incurred subcontracting fees of approximately HK\$47.5 million, HK\$50.7 million and HK\$92.2 million, representing approximately 31.9%, 33.0% and 39.8%, respectively, of our cost of services. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in subcontracting fees that had a material impact on our business, financial condition or results of operations.

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Major Subcontractors

For FY2017, FY2018 and FY2019, subcontracting fees from our largest subcontractor, amounted to approximately 2.9%, 3.3% and 6.6% of our total cost of services, respectively, while subcontracting fee from our top five subcontractors combined amounted to approximately 11.3%, 14.4% and 22.6% of total cost of services, respectively.

Five largest subcontractors for FY2017

	Name of subcontractor	Principal business	Type of services provided	Approximate year(s) of business relationship as at Latest Practicable Date	Credit term	Settlement method	Total services amount from subcontractor (HK'000)	Approximately % of our Group's total cost of service
1	Subcontractor A	A sole proprietorship that principally engages in installation of air-conditioner and ventilation duct.	Installation of ventilation duct	4	21 Days	Cheque	4,247	2.9
2	Subcontractor B	A sole proprietorship that principally engages in air-conditioner installation.	Installation of air conditioners and ventilation duct	15	21 Days	Teletransfer	3,735	2.5
3	Shun Tat Air Conditioning Engineering Company ("Shun Tat")	A partnership that principally engages in air-conditioner installation.	Installation of air conditioners	15	21 Days	Cheque/ teletransfer	3,431	2.3
4	Subcontractor C	A sole proprietorship that principally engages in air-conditioner installation.	Installation of ventilation duct	5	21 Days	Teletransfer	2,766	1.9
5	Subcontractor D	A sole proprietorship that principally engages in the provision of air-conditioner installation.	Installation of air conditioners	3	21 Days	Cheque	2,593	1.7
Total							<u>16,772</u>	<u>11.3</u>

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Five largest subcontractors for FY2018

	Name of subcontractor	Principal business	Type of services provided	Approximate year(s) of business relationship as at Latest Practicable Date	Credit term	Settlement method	Total services amount from subcontractor (HK'000)	Approximately % of our Group's total cost of service
1	Subcontractor E	A private limited company that principally engages in MVAC system installation.	Installation of air conditioners	4	21 Days	Cheque	5,116	3.3
2	Subcontractor A	A sole proprietorship that principally engages in the provision of air-conditioner and installation of ventilation duct.	Installation of ventilation duct	4	21 Days	Cheque	4,998	3.3
3	Subcontractor D	A sole proprietorship that principally engages in air-conditioner installation.	Installation of air conditioners	3	21 Days	Cheque	4,596	3.0
4	Subcontractor B	A sole proprietorship that principally engages in air-conditioner installation.	Installation of air conditioners	15	21 Days	Teletransfer	3,800	2.5
5	Subcontractor F	A sole proprietorship that principally engages in air-conditioner installation.	Installation of electric system	6	21 Days	Cheque	3,517	2.3
Total							<u>22,027</u>	<u>14.4</u>

Five largest subcontractors for FY2019

	Name of subcontractor	Principal business	Type of services provided	Approximate year(s) of business relationship as at Latest Practicable Date	Credit term	Settlement method	Total services amount from subcontractor (HK'000)	Approximately % of our Group's total cost of service
1	Subcontractor A	A sole proprietorship that principally engages in the provision of air-conditioner and ventilation duct installation.	Installation of ventilation duct	4	21 Days	Cheque	15,241	6.6
2	Subcontractor F	A sole proprietorship that principally engages in air-conditioner installation.	Installation of electric system	6	21 Days	Cheque	10,887	4.7
3	Subcontractor E	A private limited company that principally engages in the provision of MVAC system.	Installation of air conditioners	4	21 Days	Cheque	10,273	4.4
4	Subcontractor G	A private limited company that principally engages in the provision of MVAC system.	Installation of air conditioners	1	21 Days	Cheque	8,521	3.7
5	Subcontractor H	A sole proprietorship that principally engages in air-conditioner installation.	Installation of air conditioners	11	21 Days	Cheque/teletransfer	7,413	3.2
Total							<u>52,335</u>	<u>22.6</u>

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

Transactions with Shun Tat

Relationship with Shun Tat

Shun Tat is a partnership business jointly and severally owned by Mr. S Ko and an Independent Third Party. For further details, please refer to the section headed "Financial information — Related party transactions" and note 29 in Appendix I to this prospectus

Business relationship with Shun Tat

Our business relationship with Shun Tat started in 2004. Since then, we have subcontracted our works to Shun Tat. For FY2017, FY2018 and FY2019, total subcontracting fees with regards to Shun Tat amounted to approximately HK\$3.4 million, HK\$3.3 million and HK\$6.2 million, respectively, representing approximately 2.2%, 2.1% and 2.7% of our total cost of services for the respective period. Our Directors confirm that the transactions were conducted on normal commercial terms and the terms were no less favourable than terms available from the Independent Third Parties.

Transactions with connected subcontractors

During the Track Record Period, we engaged three connected persons for subcontracting services. Our Directors confirmed that two of our connected persons will not continue to be engaged by us for subcontracting of our projects. For further details, please refer to note 29 in Appendix I to this prospectus.

One of our connected persons, Yuk Shing Advertising & Decoration Engineering Co. ("**Yuk Shing**"), acted as a subcontractor providing painting and information technology maintenance service to our Group. For FY2017, FY2018 and FY2019, the total subcontracting charges from Yuk Sing approximately HK\$926,000, HK\$1,627,000 and HK\$1,374,000, respectively, representing approximately 0.6%, 1.1% and 0.6% of our total cost of services for the respective period, respectively. For further details, please refer to the section headed "Connected transactions — Fully exempt continuing connected transactions — Provision of subcontracting service by Yuk Shing to Chit Tat".

Criteria for selecting subcontractors

We carefully evaluate the performance of our subcontractors and select subcontractors based on a range of factors including but not limited to their ability, experience, fee quotations, service quality and track records. We maintain a list of approved subcontractors which is updated according to our assessment of their performance on a continuous basis. As at the Latest Practicable Date, there were approximately 40 subcontractors included in our approved list of subcontractors.

Major terms of engagement with our subcontractors

We engage our subcontractors on a project-by-project basis and do not enter into long-term agreements with subcontractors. The following summarises the major terms of engagement with our subcontractors in general:

- Contract period* : There is no specific term regarding the duration of the subcontracting agreements. The subcontractors are obligated to perform the subcontracting works with reference to the contract period for completion under the contract between us and our customers.
- Subcontracting fees* : A contract generally states a fixed lump sum amount but is further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, we determine the subcontracting fees based on (i) the complexity of the subcontracting works to be done; (ii) the amount of labour resources required for the subcontracting works; (iii) the nature of works to be performed by our subcontractors; and (iv) the prevailing market conditions. There is no price adjustment clause in the subcontracting agreements between our Group and our subcontractors.
- Payment terms* : Interim payment on a monthly basis is generally adopted and we are generally obliged to pay our subcontractors within 60 days upon receipt of their payment application.
- Retention money* : We generally retain 5% to 10% of each interim payment as retention money.
- Safety* : The subcontractors shall comply with the provision of statutory safety regulations relating to the carrying out of the subcontracting works. The subcontractors shall also indemnify our Group against any expenses, penalties and other losses sustained as a consequence of the subcontractors' non-compliance with the relevant statutory safety rules or regulations.

Subcontractors and workers

In order to ensure that our subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. Our project managers and foremen conduct regular site inspections to ensure general compliance by our own workers as well as our subcontractors in quality, safety and environmental requirements. During project implementation, our project team regularly meets with our subcontractors and closely monitors their work progress and performance as well as their compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed “Occupational health and work safety” and “Environmental protection” in this section.

On 1 April 2017, the Designated Workers for Designated Skills Provision of the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking construction works of the designated trade divisions unless they are registered skilled or semi-skilled worker for the relevant trade division or under instruction and supervision of the relevant skilled/semi-workers. Please refer to the paragraph headed “Regulatory Overview — C. Laws and Regulations in relation to Labour, health and safety — Construction Workers Registration Ordinance” in this prospectus for further details. Our Group will employ and require our subcontractors to employ only registered skilled and semi-skilled workers for designated trade divisions to carry out our contracted E&M engineering works. Our foremen are responsible for inspecting the registration card of each worker (including the site workers employed by the subcontractors) and shall refuse any person who is not registered as registered construction workers under the Construction Workers Registration Ordinance from entering the site.

OVERLAPPING CUSTOMERS-SUPPLIERS

During the Track Record Period, one of our top five customers (Customer F) was also our supplier. Customer F is incorporated in Hong Kong and is a subsidiary of a private Group which principally engages in provision of E&M engineering services in Hong Kong, Macau and the PRC. Customer F engaged us for second-tier subcontractor of installing MVAC systems in December 2016 and become one of our top 5 customers in FY2018, FY2019, and we also purchased different type of air conditioners and thermo ventilation from their group for our projects.

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The table below sets out the (i) total revenue; and (ii) the relevant cost of services during the Track Record Period:

	FY2017	FY2018	FY2019
Total revenue from Customer F overlapping customer-supplier (<i>HK\$'000</i>)	—	20,613	53,047
Relevant cost of services (<i>HK\$'000</i>)	2,515	2,052	449
% of cost of services	1.7	1.3	0.2

Our Directors confirm that, all of our services to and purchases from this customer-supplier were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. To the best information and knowledge of our Directors, our customers-suppliers are Independent Third Parties and none of our Group's customers-suppliers has any past or present relationships with our Group, shareholders, Directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date.

Considering the procurement amounts from Customer F of our Group in our installation of MAVC systems, our Directors are of the view that such purchases are insignificant to our Group's performance as a whole. Our Directors have confirmed that all of our transactions with our customers-suppliers during the Track Record Period were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis.

QUALITY CONTROL

Our project team closely monitors the progress to provide consistent quality services for our customers. We have in-house quality assurance requirements that stipulate specific working procedures for performing different types of E&M works, project management and supervision, cost control, project planning, tendering process etc. Our workers and our subcontractors are required to follow such procedures.

Quality control on our services

Our project manager and site supervisor are mainly responsible for (i) monitoring the quality of work done by our subcontractors and our workers; (ii) supervising their workmanship and quality and (iii) communication with our customers to ensure that our works meet the required standard. Our project manager conducts site inspection for which he is responsible and monitors the work quality, the progress of work and ensures that works are completed according to schedule. Furthermore, our project management teams communicate frequently with our executive Directors and project director who closely monitor the progress of each project and discuss issues identified to ensure our works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant laws and regulations applicable to the works. Our Directors confirm that during the Track Record

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Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation of material nature from our customers due to quality issue in relation to the services performed by us or works performed by our subcontractors.

Quality control on materials and accessories

We closely monitor the quality of materials and accessories we purchase. Our procurement staff will ensure that they are sourced from our approved list of suppliers. We conduct quality control checking on MVAC systems and other types of materials and accessories we procured prior to applying them for installation to ensure the quality of the materials and accessories used in our project. Such quality control procedures including (i) checking the quality and specification when the major materials and accessories arrived at relevant site or warehouse; (ii) whether there is any observable defects; and (iii) whether it functions normally after our installation. Any defective products or off-specs products would be returned to the suppliers for replacement. Our customers would also inspect the materials and accessories used by us at work sites and verify the specifications from time to time.

INVENTORIES

We do not maintain any inventories during the Track Record Period as our materials and accessories are purchased on a project-by-project basis and are typically applied or consumed immediately or shortly after their respective deliveries from our suppliers.

OCCUPATIONAL HEALTH AND WORK SAFETY

We place emphasis on occupational health and work safety during the delivery of our services as it is our concern not to put our employees, our subcontractors and the general public in hazards. We have adopted an occupational health and safety manual as required by relevant occupational health and safety laws, rules and regulations under the supervision of our registered safety officer.

Occupational health and work safety measures

Our safety control policy is documented in writing and supplemented with guidelines and training. We require our construction workers and subcontractors strictly compliance with our safety control policy, we aim to reduce our risks related to safety issue by put adequate resources and effort on the safety management.

Some details of our safety plan are set out below:

- Project managers are assigned by project director to be responsible for overall co-ordination and implementation of the safety policy.
- Our safety steering committee, consisting the safety officer, safety supervisor, project manager, our relevant executive Director, supervisor shall (i) plan, monitor and review the health and safety performance of our Group; (ii) discuss the monthly inspection report and circulate to the project manager and the

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customer for attention and necessary action; (iii) review and approval for safety policy statement; and (iv) ensure that all new comers to the construction sites are aware of their safety obligation.

- We regularly attend safety training organised by us of the projects, typically covering safety procedures for performing different types of work, fire prevention, storage of material, excavation, lift gear, and workplaces housekeeping.
- All workers and our subcontractors employees are required to hold a valid construction industry safety training certificate and construction workers registration card before they enter the site.
- All workers on site, including subcontractors' employees, are required to follow the general safety rules adopted by the main contractor of the relevant project which are communicated to the workers before they commence work and posted on prominent notice boards on site. Workers who breach any such rules will be subject to internal disciplinary actions.

System of recording and handling accidents and our safety compliance record

As a subcontractor, we require our workers or employee of subcontractors to report any accident to our site representative or safety officer and/or main contractor for the purposes of collecting information for processing employees' compensation claims as well as compliance with the relevant laws and regulations in Hong Kong regarding the reporting of all work injuries at our sites to the Labour Department. To ensure proper recording and handling of work injuries, we follow a general procedure as below:

- Fact finding and follow-up actions
 - Our safety officer will investigate the accident by visiting and taking photos of the accident scene, interview the injured worker, witness(es) of the accident and other involved parties.
 - Remedial actions will be taken by our safety officer to remove imminent danger and to prevent occurrence of similar accidents in the future. Our project manager or customer will take disciplinary actions if recommendations of the investigation are not satisfactorily addressed.
- Reporting
 - Our project manager and/or safety officer will prepare an accident/incident report and, if it is an employee injury reportable case, main contractor will submit it to the Labour Department within the period as specified under the relevant laws and regulations. For details of the reporting requirement, please refer to the paragraph headed "Regulatory Overview — C. Laws and Regulations in relation to Labour, Health and Safety — Employees' Compensation Ordinance" of this prospectus.

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- Settlement or litigation
 - Settlement of any claim will be handled by the respective insurance company. If the insurance company and the injured person (or their respective representatives) do not agree on the settlement amount, the matter may be litigated.

Work injuries during the Track Record Period

We maintain an internal record of our work injuries. During the Track Record Period and up to the Latest Practicable Date, there were three accidents which may give rise to potential employees' compensations or personal injuries claims, details of which are disclosed under the paragraph headed "Litigation and potential claims" in this section below.

In the usual and ordinary course of our business, our employees and our subcontractors may be injured due to accidents and have the rights to commence employees' compensation claims under Employees' Compensation Ordinance and/or personal injury claims under the common law against our Group within their respective limitation periods.

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

	Construction Industry in Hong Kong <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
From 1 January to 31 December 2016		
Accident rate per 1,000 workers	17.1	nil
Fatality rate per 1,000 workers	0.028	nil
From 1 January to 31 December 2017		
Accident rate per 1,000 workers	17.2	nil
Fatality rate per 1,000 workers	0.045	nil
From 1 January to 31 December 2018		
Accident rate per 1,000 workers	16.5	7.79
Fatality rate per 1,000 workers	0.025	nil
From 1 January to 31 March 2019		
Accident rate per 1,000 workers	Not available	nil
Fatality rate per 1,000 workers	Not available	nil

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Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016), No. 17 (August 2017), No. 18 (August 2018) and No. 19 (August 2019) published by Occupational Safety and Health Branch of the Labour Department of the Government.
2. Our Group's accident rate and fatality rate is calculated by dividing the number of reportable accidents and accidents involving fatal injuries (as the case may be) during the calendar year or relevant period by the number of site workers as at the end of the calendar year and multiplying by 1,000. The number of site workers includes employees of our Group and our subcontractors.

As illustrated above, we achieved an accident rate lower than that of the industry for the three calendar years ended 31 December 2016, 2017 and 2018, respectively.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we have generally taken out the following insurance policies against the risks and liabilities to which we may be exposed in the course of our business operation:

(i) Employees' compensation insurance

We have taken out employees' compensation insurance to cover our liabilities under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all our employees working in our office as required under section 40 of the Employees' Compensation Ordinance. Under section 24 of the Employees' Compensation Ordinance, a main contractor is liable to any accident of the workers of its subcontractors on the construction sites and is required to take out an insurance policy for an amount of up to HK\$200.0 million per event to cover its liability and that of its subcontractors under the Employees' Compensation Ordinance and at common law. In addition, subject to specific contract requirement required by our customers, we may be required to take out employees' compensation insurance to cover any liabilities arising from injuries at construction site.

(ii) Contractors' all risks insurance and other insurance taken out by the main contractor

For projects undertaken by us, the relevant main contractor would take out contractors' all risk insurance policies which typically cover (a) liability arising from potential bodily injury to third parties or death as a result of the performance of contract works undertaken by us or by our subcontractors at the construction site; and (b) liability arising from damage to third parties' properties as a result of the performance of our project works undertaken by us or by our subcontractors at the construction site.

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(iii) Other insurance coverage

Our Group has maintained insurance coverage with a policy covering against, among others, (a) third party liability in relation to the use of our vehicles for an amount of up to HK\$100.0 million per event; (b) insurance policy plan, amongst other, for our office and workshop; (c) fire insurance for our office premises; and (d) life insurance policy for our key management, Ms. Cheung.

Uninsured risks

Certain risks disclosed in the section headed “Risk factors” in this prospectus, such as risk in relation to our ability to secure new contracts, potential claims arising from latent defects liability, estimation and management of costs, subcontractors’ performance, liquidity risk, etc., are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. In particular, although our insurance policy does not cover any losses and claims against on the performance of our subcontractors, we can either deduct the retention monies payable to such subcontractor or claim against such losses caused by their standard performance. Our Directors consider that the risk of losses or claims caused by substandard performance of works of or delay caused by the subcontractors is low.

Our Directors believe that our current insurance policies are adequate and the extent of the above insurance policies is consistent with industry norm having regard to our current operations and the prevailing industry practice. Our insurance expenses (other than life insurance policy for our executive Director) for FY2017 were less than HK\$1.0 million, while such expenses amounted to approximately HK\$2.8 million and HK\$947,000 for FY2018 and FY2019 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

ENVIRONMENTAL PROTECTION

Our Group’s operations in work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, such as Air Pollution Control Ordinance, Noise Control Ordinance and Waste Disposal Ordinance. For details of the regulatory requirements, please refer to the section headed “Regulatory Overview” in this prospectus. We endeavour to minimise any adverse impact on the environment resulting from our business activities. We had implemented an environmental management policy to ensure our employees and workers of the subcontractors to comply with applicable environmental protection laws.

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

RESEARCH AND DEVELOPMENT

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

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered “www.chittathk.com” as our domain name. Please refer to the section headed “Statutory and General Information — Further information about the business of our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for further details of our intellectual property rights.

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

COMPETITIVE LANDSCAPE

According to the Ipsos Report, the Hong Kong E&M engineering industry is highly fragmented and competition due to the presence of a large number of contractors. As of 17 September 2019, there are 13,249 registered electrical contractors in Hong Kong. The top five contractors accounted for a market share of approximately 30.4% to the total revenue of the industry in 2018.

Our Directors consider that experience and proven track record, capabilities for performing different types of E&M works, relationship with suppliers and subcontractors and technical expertise are factors affecting the competitiveness of a E&M works subcontractor in Hong Kong. For details regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry Overview — Competitive Analysis of the E&M Engineering Industry in Hong Kong” in this prospectus.

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EMPLOYEES

As at the Latest Practicable Date, we had 157 employees who were directly employed by our Group in Hong Kong with 23 employees are registered electrical workers (20 licences are held by construction workers, while the remaining are held by one of our Directors, one of our employees in the project design and management department and one of our supervisors). The following table sets out a breakdown of the number of our employees by functions:

	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019	As at the Latest Practicable Date
Director	2	2	2	2
Administration	7	4	9	11
Accounting and finance department	4	3	5	5
Project design and management	25	40	53	59
Supervisor	4	4	8	11
Construction worker	71	71	67	67
Site safety supervision	<u>2</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total	<u>115</u>	<u>125</u>	<u>146</u>	<u>157</u>

Since the Track Record Period and up to Latest Practicable Date, the number of construction workers of our Group decreased from 71 to 67 mainly due to (i) the decrease in number of projects in swimming pool, fountain and plumbing and drainage system, which as a result, decrease our demand of construction worker for this segment; and (ii) the increase in use of subcontractor for our new projects.

Relationship with our employees

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

Some of our employees are connected persons with our Directors as defined under Listing Rule 14A.02. For further details, please refer to the paragraph headed “Connected Transactions — Employment agreements between Chit Tat and connected employees” in this prospectus.

Recruitment policy and training

We generally recruit our employees through placing advertisements in the open market with reference to factors such as their experience and qualifications required for our business operations. They are normally subject to a probation period of three months. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to

serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

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

Remuneration policy

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

Requirements under the Immigration Ordinance

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

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

- Our human resources and administration department is responsible for inspecting and taking copy of the original of the employees' Hong Kong identity card and/or other documentary evidence showing that he/she is lawfully employable in Hong Kong;
- Our subcontractors are required to hire only persons who are lawfully employable to work on site and to prevent any illegal workers to enter the site; and

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

PROPERTIES

As of the Latest Practicable Date, we operated our businesses through four leased properties and one self-owned property in Hong Kong. As at the Latest Practicable Date, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required under Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

Owned properties

The following table sets forth a summary of the property we owned in the Hong Kong as of the Latest Practicable Date:

Location	Gross site area <i>(square meters)</i>	Existing use
Car parking space No. P38 on 2nd Floor TML Tower No. 3 Hoi Shing Road Tsuen Wan, New Territories	N/A	Car parking

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Leased properties

As at the Latest Practicable Date, we rented the following leased offices and workshop:

Address	Landlord/lessor	Approximate gross floor area (<i>sq.ft.</i>)	Use of property	Monthly rental	Terms of lease
Unit Nos. 709–711, 7/F The Octagon No. 6 Sha Tsui Road Tsuen Wan New Territories	Independent third party	3,486	Office	HK\$58,000	1 July 2019 to 30 June 2021 (both days inclusive)
Workshop 29, 11/F Thriving Industrial Centre Nos 26–38 Sha Tsui Road Tsuen Wan New Territories	Independent third party	1,195	Workshop	HK\$13,800	1 January 2019 to 31 December 2020 (both days inclusive)
Shop C1, G/F 140 Fuk Wing Street Shum Shui Po Kowloon	Independent third party	220	Site office	HK\$12,500	23 April 2018 to 22 April 2020 (both days inclusive)
Unit H, 12/F 111 Lee Nam Road Ap Lei Chau Hong Kong	Independent third party	1,309	Workshop	HK\$13,500	1 August 2019 to 31 July 2021 (both days inclusive)

To the best of our Directors' knowledge, as at the Latest Practicable Date, there were no defects in title relating to the above properties.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, save as disclosed below, our Group was not involved in any civil claims and litigation against our Group.

Our Group's liabilities in case of personal injuries to our employees by accidents arising out of and in the course of their employment include those under (i) the Employees' Compensation Ordinance; and (ii) common law personal injury claim. Our Directors confirmed that these accidents were caused during the usual and ordinary course of our business and have not caused disruption to our Group's business nor any adverse impact on our Group to obtain any licences or permits for our operation. The Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system which gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment; or (ii) prescribed occupational diseases under the Employees' Compensation Ordinance. A common law personal injury claim may arise if the injury is caused to an employee by our negligence, breach of statutory duty, or other wrongful act or omission. For some of the potential claims, even if the relevant employees' compensation had been settled under our employees' compensation insurance, the injured employees may still pursue litigation through personal injury claims against us under common law. The damages awarded under common law claims are normally reduced by the value of the compensation paid or payable under the Employees' Compensation Ordinance.

During the Track Record Period and up to the Latest Practicable Date, our Group had been or was involved in a number of claims, litigation and potential claims.

(i) Ongoing litigation against our Group as at the Latest Practicable Date

As at the Latest Practicable Date, there were two ongoing litigation claims against our Group. The injured individual, who was an employee of our subcontractor, suffered from left calcaneal fracture as a result of an accident that occurred during his course of employment at the construction site on 20 January 2015. A legal proceeding had been filed by the injured individual in the District Court of Hong Kong pursuant to the Employees' Compensation Ordinance in December 2016 of which the amount claimed as compensation was to be assessed by the District Court. On 16 January 2017, a notice of appeal pursuant to section 18 of the Employees Compensation Ordinance was filed by the injured individual to the District Court to appeal against the decision of the loss of earning capacity of the injured individual under the Certificate of Review of Assessment issued on 12 February 2016 by the Employees Compensation (Ordinary Assessment) Board formed by the Commissioner for Labour. A personal injury claim had also been filed by the same individual in the High Court of Hong Kong in January 2018 with a total claim amount of approximately HK\$1,308,000. The claim amounts of both cases are yet to be assessed by the relevant courts. Since both outstanding claims are covered by the insurance taken out by our main contractor and are handled by the relevant insurer's lawyers, the entire conduct of our defence against such claims in the proceedings have been taken up by the relevant insurer and our Group is not in a position to assess the likely quantum of such claims.

(ii) Potential employees' compensation claims and common law personal injury claims against our Group as at the Latest Practicable Date

Potential claims refer to those claims that have not commenced against our Group but are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant incidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group recorded three workplace accidents whereby our employees sustained personal injuries which may give rise to potential employees' compensation and/or personal injury claims. All such workplace accidents that occurred during the Track Record Period and up to the Latest Practicable Date had been reported to the Labour Department pursuant to the relevant laws and regulations. As court proceedings have not commenced, we are not in a position to assess the likely quantum of such potential claims. Our Directors take the view that the amount of such potential claims to be borne by our Group shall be covered by relevant insurance policy either maintained by us or taken out by the relevant main contractors in the projects which the injured individuals were involved in.

(iii) Litigation against our Group settled, withdrawn or convicted during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we have settled an employee's compensation claim and a personal injuries claim filed to the District Court by an employee of Chit Tat. On 28 November 2014, the injured individual suffered from left scaphoid fracture, left elbow fracture and sacrum fracture while fitting water pipe during his course of employment at the construction site. The total amount of HK\$475,000 was fully settled on 10 January 2017, which was covered by our insurance.

As at the Latest Practicable Date, save as disclosed above, we were not aware of any current, pending or threatened litigation, claim or arbitration against our Group which could have a material adverse effect on our financial condition or operations.

No provision was made in the financial statements of our Group in respect of our potential litigations in relation to employees' compensation claims and common law personal injury claims having considered (i) such claims are expected to be covered by the insurance maintained by us or taken out by our main contractors; (ii) the uncertainties as to whether such claims will be commenced; (iii) the uncertainties in the total amount that will be involved if such claims, if any; and (iv) the indemnity given by our Controlling Shareholders in favour of our Group under the Deed of Indemnity.

NON-COMPLIANCE

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, save for the non-compliance incident set out below, we had no non-compliance incident that would have a material adverse effect on our business, financial condition and results of operations taken as a whole.

Non-compliance with the Buildings Ordinance

During the Track Record Period, there was instance of non-compliance of our Group with the Buildings Ordinance in relation to the properties leased by Chit Tat, details of which are set forth below.

During the Track Record Period, Chit Tat leased two properties in a building located in TML Tower (the “**Properties**”) with a total gross floor area of approximately 5,080 sq.ft. for its business operations, including administration office and storage of documents (the “**Actual Land Use**”). A total rental expenses of approximately HK\$1,707,000 was incurred by Chit Tat during the Track Record Period.

Our Property Law Legal Counsel considered that the Actual Land Use is a change of land use from the permitted use under the laws and regulations of Hong Kong which requires submission of (i) a notice (the “**BO s.25(1) Notice**”) of intended change of use to the Building Authority under section 25(1) of the Buildings Ordinance; and (ii) a waiver to the Lands Department.

As advised by our Property Law Legal Counsel, the maximum liability for committing an offence under section 40(2) of the Buildings Ordinance for failure to submit the BO s.25(1) Notice is a fine of HK\$100,000 and to imprisonment for 2 years. However, our Property Law Legal Counsel advised that neither the failure or omission to (i) submit the BO s.25(1) Notice; nor (ii) apply for the waiver from the Lands Department is of serious nature involving fraud or deceit or dishonesty. In addition, there is (i) no real risk of retrospective enforcement as regards the failure or omission of submission of the BO s.25(1) Notice; and (ii) a slight risk of retrospective enforcement as regards the failure or omission to apply for the waiver from the Lands Department. In order to eliminate any risks of retrospective enforcement by the Building Authority, our Property Law Legal Counsel advised our Group to submit the BO s.25(1) Notice as soon as practicable.

Our Directors confirmed that the breach of section 25(1) of the Buildings Ordinance was not wilful and was due to the lack of professional legal and property advice sought by our Directors at the material time.

Our Property Law Legal Counsel advised that if Chit Tat ceases to use the Properties as its office premises, our Group will not be required to apply for the waiver from the Lands Department nor to submit the BO s.25(1) Notice, and there will be no real risk of retrospective enforcement. Therefore, in order to rectify such non-compliance in a more efficient manner, our Directors relocated our office to a premises which is permitted as

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office use on 1 July 2019. Based on the rental expenses of the new premises, of which the Actual Land Use is in compliance with the relevant laws and regulations, our Directors are of the view that the additional rental expenses as compared with the Properties, will not have any material financial or operational impact on our Group.

To ensure on-going compliance with relevant laws and regulations, prior to entering of any tenancy agreement for our Group's office, our Directors will identify the permitted use of the proposed property to be leased and ensure that our Group's proposed use is in compliance with the permitted use. At least one executive Director and our company secretary will review the terms of the draft tenancy agreement. If necessary, our Group will also seek assistance from external professional parties, such as legal advisers and registered architects. As we have relevant procurement and contract management policies and procedures in place, our Internal Control Consultant is of the view that our Group's internal control system is adequate and effective.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines incurred by any member of our Group in connection with any breach of any laws, rules or regulations and/or legal proceedings by or against any member of our Group on or before the date the Share Offer becomes unconditional. Please refer to the paragraph headed "E. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus for details of the Deed of Indemnity.

INTERNAL CONTROL AND RISK MANAGEMENT

We endeavour to uphold the integrity of our business by maintaining an internal control and risk management system into our organisational structure. In preparation for the Listing and to improve our internal control system, in 20 September 2018, we engaged the internal control consultant firm (the "**Internal Control Consultant**") to perform an internal control short form report review (the "**Internal Control Review**") on the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management. The Internal Control Consultant provided recommendations for our management's consideration to enhance our internal controls and procedures.

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Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon the Listing to strengthen our internal control:

- We have established system and manuals in relation to, among others, distribution of annual, interim reports and publication, handling and monitoring of inside information prior to public announcement and other requirements under the Listing Rules.
- Our Directors have attended training sessions conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
- We will endeavour to comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed “Relationship with Controlling Shareholders — Corporate Governance Measures” in this prospectus.
- We have engaged Ample Capital Limited as our compliance adviser and will, upon the Listing, engage a legal adviser as to Hong Kong laws, which will advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.
- We have established an audit committee which comprises all non-executive Directors. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of our non-executive Directors, please refer to the section headed “Directors and senior management” in this prospectus.
- We have appointed Mr. Chan Tak Sun Sammy, our chief financial officer, as our company secretary to be responsible for keeping and updating our statutory records, managing secretarial matters and to ensure ongoing compliance with the Companies Ordinance.
- We will engage the Internal Control Consultant to have an annual review on the adequacy and effectiveness of our internal control system for the financial year ending 31 March 2019, if necessary, including areas of financial, operational, compliance and risk management.
- When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters relating to our internal controls and legal compliance.

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During the period from September to October 2018, our Internal Control Consultant performed follow-up review on the enhancement measures taken by our Group to address the recommendation of the Internal Control Review. Our Internal Control Consultant raised no further recommendations in the follow-up review.

LICENCES AND PERMITS

As confirmed by our Licences Law Legal Counsel, our Group has obtained all material licences, permits and approvals required for carrying out our business activities during the Track Record Period and up to the Latest Practicable Date. Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that quality standards, financial capability, expertise, management, environmental and safety are complied with the relevant statutory requirements by the contractors in carrying out their works in both public and private sectors. For details, please refer to the section headed “Regulatory overview” in this prospectus.

As at the Latest Practicable Date, our Group had obtained the following licences, permits and approvals:

Relevant Government departments or public organisations	Registrations and qualifications	Holder	Date of last registration	Expiry date
EMSD	Registered Electrical Contractor	Chit Tat	26 June 2017	3 July 2020
Construction Industry Council	Registered Subcontractor under the Registered Specialist Trade Contractors Scheme <ul style="list-style-type: none">— Electrical wiring— General electrical installation— Electrical control and power panel assembly— Fountain installation— HVAC pipe work— HVAC mechanical fitting— HVAC control— Sheet metal and ducting— Insulation— Plumbing— Swimming pool water treatment installation	Chit Tat	13 July 2019	12 July 2024

Some of the above registrations and qualifications are subject to annual review and renewal. Our Group will renew all existing registrations and qualifications accordingly before their respective expiry dates. We have not experienced any refusal of renewal of the registrations or qualifications necessary for our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors, as advised by our Licences Law Legal Counsel, are not aware of any legal impediment that would significantly hinder or delay the renewal of these registrations and qualifications.

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AWARDS AND RECOGNITIONS

As at the Latest Practicable Date, we have been granted the following certification in recognition of our commitment and dedication to our quality, environmental, and occupational health and safety management system:

Nature	Certification	Awarding organisation or authority	Holder	Validity period
Quality Management System	ISO 9001:2015	Castco Certification Services Limited	Chit Tat	18 December 2017– 17 December 2020
Environmental Management System	ISO 14001:2015	Castco Certification Services Limited	Chit Tat	18 December 2017– 17 December 2020
Occupational Health and Safety Management System	OHSAS 18001:2007	Castco Certification Services Limited	Chit Tat	18 December 2017– 17 December 2020

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Share Offer and the Capitalisation Issue, Mr. Ko and Ms. Cheung will, via Lightspeed, indirectly and beneficially own the entire issued share capital of our Company.

For the purpose of the Listing Rules, Mr. Ko, Ms. Cheung and Lightspeed are our Controlling Shareholders. Lightspeed is an investment holding company and is owned as to 70% by Mr. Ko, an executive Director, the chairman of our Board and the chief executive officer of our Company, and 30% by Ms. Cheung, an executive Director. Mr. Ko is the spouse of Ms. Cheung. Please refer to the section headed “Substantial shareholders” in this prospectus for details of the shareholding interest of our Controlling Shareholders.

BUSINESSES IN WHICH OUR CONTROLLING SHAREHOLDERS ARE INTERESTED IN

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders and their respective close associates were interested in other businesses which were involved in trading of electrical control components, property investment holding and manufacturing of basic foodstuffs (the “**Other Businesses**”) and certain companies which are currently dormant.

Among the Other Businesses, as at the Latest Practicable Date, Mr. Ko owned 52% interest in Mibuka Denki Electrical Controls Limited (“**Mibuka**”), a company incorporated in Hong Kong with limited liability on 13 March 2007, and the other 48% interest in Mibuka was held by an Independent Third Party. Mibuka is involved in the trading of electrical control components. As per the audited reports of Mibuka, the revenue of Mibuka for FY2017, FY2018 and FY2019 were approximately HK\$1,087,000, HK\$777,000 and HK\$706,000, respectively, the net profit of Mibuka for FY2017 and FY2019 were approximately HK\$33,000 and HK\$17,000, respectively, and the net loss of Mibuka for FY2018 was approximately HK\$99,000. During the Track Record Period, Mibuka supplied electrical control equipment for E&M engineering works, including but not limited to, push buttons, control relays and light switches, to Chit Tat, and it is expected that such transaction will continue after the Listing. Please refer to the paragraph headed “Connected transactions — Fully exempt continuing connected transactions — Provision of electrical control equipment by Mibuka to Chit Tat” for more information.

To the best knowledge of Mr. Ko, Mibuka had no material non-compliance incident occurred during the Track Record Period.

Delineation of business

Our Directors are of the view that there is a clear delineation between the Other Businesses and our business, as a result of which, none of the Other Businesses will compete, or is expected to compete, directly or indirectly, with our core business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In general, the Other Businesses do not, and will not, form part of our Group before and after the Listing due to the following reasons:

- (a) we would like to focus on our core business which is providing E&M engineering services;
- (b) the Other Businesses differ from our Group's core business in terms of nature and target customers as further explained below. For FY2017, FY2018 and FY2019, the total sum paid by Chit Tat to Mibuka amounted to approximately HK\$260,000, HK\$109,000 and HK\$221,000, respectively, and all accounted to less than 0.5% of our total cost of services for the same periods. On this basis, our Directors are of the view that the principal business carried out by Mibuka constitutes an insignificant part of our business as a whole; and
- (c) we would like to introduce a more distinctive business scope so as to highlight our strategic direction and development plan.

In particular, our Directors are of the view that Mibuka's business differs from our Group's core business for the following reasons:

- (a) ***different business nature:*** Mibuka is involved in the trading of electrical control components while our Group's core business is provision of E&M engineering services, hence Mibuka and our Group are involved in upstream and downstream activities, respectively;
- (b) ***different target customers:*** during the Track Record Period, our Group delivered our services as a first-tier or second-tier subcontractor, mainly in relation to property developers or main contractors in private residential property development projects, whereas Mibuka's customers are mainly wholesale customers engaged in electricity related industries and engineering companies; and
- (c) ***segregated management:*** Mr. Ko and the other shareholder of Mibuka, who owns 48% interest in Mibuka and is an Independent Third Party, form the board of directors of Mibuka. During the Track Record Period and up to the Latest Practicable Date, Mr. Ko mainly played a non-executive role in it and Mibuka was mainly managed by the Independent Third Party. Save for Mr. Ko, none of our other Directors and/or senior management holds any position in Mibuka.

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, particular in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders and Directors has confirmed that, he/she/it does not have and their respective close associates do not have interest in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after the Listing:

Management independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Two of our independent non-executive Directors are Certified Public Accountants and all of our independent non-executive Directors are experienced in different areas of business. Mr. Ko and Ms. Cheung, our Controlling Shareholders, are our executive Directors. Each of our Controlling Shareholders has given non-competition undertakings in favour of our Group. For further details, please refer to the paragraph headed "Non-competition undertakings" in this section.

Each of our Directors is aware of his or her fiduciary duties as a director which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Company makes business decisions independently from our Controlling Shareholders. On the basis of the following reasons, our Directors consider that our Group will continue to be operationally independent from our Controlling Shareholders and their respective close associates:

- (i) our Group has established its own organisational structure comprising individual departments each with specific administrative and corporate governance infrastructure;
- (ii) our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (iii) our Group has established a set of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business;
- (iv) during the Track Record Period and as at the Latest Practicable Date, our Group had entered into certain transactions with our connected persons. Our Directors (including our independent non-executive Directors) have confirmed that these connected transactions have been entered into in the ordinary and usual course of business, on normal commercial terms that are fair and reasonable, and in the interest of our Company and our Shareholders as a whole. Save for the exempt continuing connected transactions set out in the section headed “Connected transactions” in this prospectus, we have not entered into any other connected transaction with our Controlling Shareholders or their respective close associates that will continue after the Listing; and
- (v) during the Track Record Period, there had been certain transactions entered into between the Group and its related parties, details of which are set out in note 29 to the Accountants’ Report in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted in the ordinary course of business of our Group and on fair and reasonable normal commercial terms.

On the basis of the matters described in this section, our Directors are of the view that our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had employed a sufficient number of financial accounting personnel to operate its own finance department, had established its own financial accounting system independent of our Controlling Shareholders, had its own bank accounts and an independent treasury function for cash receipts and payments, as well as made its own tax registrations with the relevant regulatory authorities.

During the Track Record Period, our Group entered into certain facility agreements with two banks. Mr. Ko and Ms. Cheung provided joint and several personal guarantees and mortgaged their properties under the aforesaid banking facilities. All the personal guarantees given by Mr. Ko and Ms. Cheung and the said property mortgage under the aforesaid banking facilities will be released and replaced by a corporate guarantee from our Company upon the Listing.

During the Track Record Period, Mr. Ko provided a personal guarantee, pursuant to a credit sale agreement entered into between Chit Tat as subcontractor and a main contractor on 14 August 2015. Such personal guarantee has been released on 7 January 2019.

Our Directors are also of the view that we did not as of the Latest Practicable Date, and will not upon the Listing, unduly rely on the advances and balances to or from our Controlling Shareholders and their respective associates for the benefit of our business operations. Our Directors further confirmed that we do not have any intention to seek our Controlling Shareholders to provide such securities or guarantees in favour of our borrowings in the foreseeable future. As such, our Directors are of the view that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders and could therefore operate independently from the financial perspective.

NON-COMPETITION UNDERTAKINGS

Pursuant to the non-competition undertakings as set out in the Deed of Non-competition, each of our Controlling Shareholders (the “**Covenantors**”, each an “**Covenantor**”) has undertaken to our Company (for ourselves and on behalf of our subsidiaries) that during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be listed on the Stock Exchange or other recognised stock exchange; (ii) the day on which the Covenantors cease to be Controlling Shareholders and the relevant Covenantor shall cease to be an executive Director; and (iii) the day on which the Covenantors or his/her/its close associates beneficially own the entire issued share capital of our Company:

- each of the Covenantors agreed not to compete, and to procure its subsidiaries and his/her/its respective close associate(s) (as appropriate) (other than our Group) not to compete, either directly or indirectly, with the business of our Group as described in the prospectus and any other business from time to time conducted by any member of our Group or in which any member of our Group is

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

engaged or has invested in, or entered into any of intent or memorandum of understanding to enter into, or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) within Hong Kong or any of the territories where any member of our Group carries and/or will carry on business from time to time (“**Restricted Business**”); and

- each of the Covenantors has jointly and severally irrevocably undertaken that, during the term of the Deed of Non-competition, he/she/it (as appropriate) will not, and will also procure his/her/its subsidiaries and his/her/its respective close associate(s) (as appropriate) (other than our Group) not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our Group’s principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of Non-competition; and

The foregoing restrictions do not apply to (i) the purchase by the Covenantors, his/her/its subsidiaries or close associate(s) (as appropriate) for investment purpose of not more than 10% equity interest in other listed companies whose business compete or are likely to compete with our principal business; or (ii) the holding by the Covenantors, his/her/its subsidiaries or close associate(s) (as appropriate) of not more than 10% equity interest in other companies whose business compete or are likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as “**Investment Companies**” for scenarios (i) and (ii)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Covenantors, his/her/its subsidiaries or close associate(s) (as appropriate) are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interest of such Investment Companies are being held by the Covenantors, his/her/its subsidiaries or close associate(s) (as appropriate).

- during the term of the Deed of Non-competition, if the Covenantors and/or his/her/its subsidiaries and/or his/her/its close associate(s) (as appropriate) (other than our Group) become aware of a business opportunity which competes, or may compete, directly or indirectly with the Group’s principal business, the Covenantors:
 - (a) shall notify our Company in writing immediately and provide to our Company all information which is reasonably necessary for our Company to consider whether or not to engage in such Business Opportunity (the “**Offer Notice**”); and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) are obliged to use his/her/its best efforts to procure that such opportunity is first offered to our Company on terms that are fair and reasonable. Our Company is entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our Company's request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules;
- (c) will use his/her/its best efforts to procure his/her/its close associate(s) and/or his/her/its subsidiaries (as appropriate) (other than our Group) to offer to our Company an option to acquire any new business opportunity which competes, or is likely to compete, directly or indirectly with our Group's principal business according to the terms of the Deed of Non-competition; and
- (d) if our Company decides not to take up the new business opportunity for any reason or does not respond to the Covenantors and/or his/her/its subsidiaries and/or his/her/its close associate(s) (as appropriate) within 30 business days from receiving the Offer Notice (subject to our Company's request to extend the notice period of 30 business days), our Company should be deemed to have decided not to take up such new business opportunity, and the Covenantors and/or his/her/its subsidiaries and/or lose associates (as appropriate) may operate such new business opportunity on his/her/its own.

Option for acquisitions

In relation to any new business opportunity of the Covenantors referred to in the Deed of Non-competition, which has been offered to, but has not been taken up by, our Company and has been retained by the Covenantors or any of his/her/its subsidiaries or any of his/her/its close associate(s) (as appropriate) (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business, the Covenantors have undertaken to grant our Company the option, which is exercisable at any time during the term of the Deed of Non-competition, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, the Covenantors will use his/her/its best efforts to procure the third party to waive his/her/its pre-emptive right. Each of the Covenantors shall use his/her/its best efforts to procure his/her/its subsidiaries and/or his/her/its close associate(s) (as appropriate) (other than our Group) to comply with the option granted to our Company by the Covenantors above. The consideration shall be determined following negotiation between the parties under the fair and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

reasonable principle based on the valuation conducted by a third party professional valuer (selected by both the Covenantors and our Company) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive right

Each of the Covenantors has jointly and severally undertaken that, during the term of the Deed of Non-competition, if he/she/it intends to transfer, sell, lease, licence or otherwise permit to use, to a third party any new business opportunity of the Covenantors referred to in the Deed of Non-competition, his/her/its close associate(s) (as appropriate) shall notify our Company by written notice (“**Selling Notice**”) in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or licence and any information which may be reasonably required by our Company. We shall reply to the Covenantors and/or his/her/its subsidiaries and/or his/her/its close associate(s) (as appropriate) within 30 business days after receiving the Selling Notice. The Covenantors and/or his/her/its subsidiaries and/or his/her/its close associate(s) (as appropriate) (other than our Group) have undertaken that until they receive the reply from our Company, they shall not notify any third party of the intention to transfer, sell, lease or licence the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues the Covenantors a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Covenantors or his/her/its subsidiaries or any of his/her/its close associate(s) (as appropriate) following negotiation between the parties under the fair and reasonable principle, the Covenantors or his/her/its subsidiaries or any of his/her/its close associate(s) (as appropriate) are entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice. The Covenantors shall procure his/her/its subsidiaries, and his/her/its close associate(s) (as appropriate) (other than our Group) to comply with the above pre-emptive right.

Decision-making as to whether to take up the options or pre-emptive right

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunity or the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such option(s) or pre-emptive right, our independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability of business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Shareholders and our Company as a whole. Where necessary, our independent non-executive Directors will consider to engage an independent valuer to conduct evaluation. Our independent non-executive Directors are also entitled to engage a financial adviser, at the cost of our Company in this connection.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Covenantors' further undertakings

Each of the Covenantors has further jointly and severally undertaken that:

- (i) he/she/it will provide all information necessary for our independent non-executive Directors to review the Covenantors', his/her/its subsidiaries' and his/her/its close associate(s)' compliance with and enforcement of the Deed of Non-competition;
- (ii) he/she/it consents to the disclosure of the decision made by our independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement; and
- (iii) he/she/it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for disclosure in our annual report.

Each Covenantor undertakes that he/she/it will not and will procure that none of his/her/its respective close associates shall:

- at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as appropriate) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as appropriate);
- at any time employ any person who has been a director, manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or
- alone or jointly with any other person, or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept orders from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business, to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Each Covenantor further undertakes, jointly and severally, to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of the Covenantors under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

- our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director and non-executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall our executive Directors and non-executive Director who participate in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new Business Opportunity referred to us under the terms of the Deed of Non-competition;
- our independent non-executive Directors will be granted full access of financial information and other information they request from the managers of our Company and the Covenantors in order to make an informed decision. Our independent non-executive Directors will make each decision based on any factor they consider appropriate and which they consider is beneficial to our Group;
- our independent non-executive Directors may employ an independent financial adviser as they consider necessary to advise them on the terms of any new Business Opportunity;
- each of the Covenantors undertakes to keep us informed and shall procure his/her/its respective close associates to keep us informed, of new Business Opportunities and to provide all information reasonably required by our independent non-executive Directors to assist them in their consideration of any new Business Opportunity;
- our independent non-executive Directors will review, on an annual basis, the compliance of the Covenantors 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 our 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;
- 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;
- 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; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- after the Listing, our Directors undertake to continue to disclose details of any potential competing interests in our annual reports to our Shareholders.

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.

CONNECTED TRANSACTIONS

INTRODUCTION

We have entered into certain transactions with our connected persons during the Track Record Period which will continue after the Listing and constitute connected transactions (as defined under the Listing Rules) of our Group.

CONNECTED PERSONS

Name	Connected relationship
Mibuka Denki Electrical Controls Limited (“ Mibuka ”)	Mibuka is a company incorporated in Hong Kong and is 52% owned by Mr. Ko and 48% owned by an Independent Third Party. Therefore, Mibuka is a connected person.
Yuk Shing Advertising & Decoration Engineering Co. (“ Yuk Shing ”)	Yuk Shing is a sole proprietorship established in Hong Kong by Mr. Ko Lai Ming, who is a brother of Mr. Ko, a brother-in-law of Ms. Cheung and an uncle of Mr. CK Ko. Therefore, Yuk Shing is a connected person.
Mr. Cheung Choi On	Mr. Cheung Choi On is a brother of Ms. Cheung, a brother-in-law of Mr. Ko and an uncle of Mr. CK Ko, he is therefore a connected person.
Mr. Wong Kai Chau	Mr. Wong Kai Chau is a brother-in-law of Ms. Cheung and an uncle of Mr. CK Ko, he is therefore a connected person.
Mr. Chow Kin To	Mr. Chow Kin To is a nephew of Mr. Ko and a cousin of Mr. CK Ko, he is therefore a connected person.
Ms. Ko Karlie	Ms. Ko Karlie is a niece of Mr. Ko and a cousin of Mr. CK Ko, she is therefore a connected person.
Mr. Wong Hau Wai	Mr. Wong Hau Wai is a nephew of Ms. Cheung and a cousin of Mr. CK Ko, he is therefore a connected person.
Ms. Wong Hoi Yan	Ms. Wong Hoi Yan is a niece of Ms. Cheung and a cousin of Mr. CK Ko, she is therefore a connected person.
Ms. Wong Hoi Ki	Ms. Wong Hoi Ki is a niece of Ms. Cheung and a cousin of Mr. CK Ko, she is therefore a connected person.

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the following transactions will continue between our Group and the relevant connected persons, which will constitute continuing connected transactions under the Listing Rules:

No.	Agreement (as respectively defined below)	Nature of transaction	Parties
1.	Yuk Shing Subcontracting Painting Agreement	Provision of subcontracting service	Yuk Shing Chit Tat
2.	Mibuka Supply Agreement	Provision of electrical control equipment for E&M engineering works	Mibuka Chit Tat
3.	Connected Employee Employment Contracts	Employment of Connected Employees	Mr. Cheung Choi On Mr. Wong Kai Chau Mr. Chow Kin To Ms. Ko Karlie Mr. Wong Hau Wai Ms. Wong Hoi Yan Ms. Wong Hoi Ki (together the “ Connected Employees ”, each a “ Connected Employee ”) Chit Tat (entered respectively)

CONNECTED TRANSACTIONS

Provision of subcontracting service by Yuk Shing to Chit Tat

During the Track Record Period, Yuk Shing acted as a subcontractor providing painting service to Chit Tat. On 18 September 2019, Yuk Shing and Chit Tat entered into a subcontracting agreement (the “**Yuk Shing Subcontracting Painting Agreement**”), pursuant to which Yuk Shing agreed to act as a subcontractor providing painting service to Chit Tat for a term of three years commencing from the Listing Date. The Yuk Shing Subcontracting Painting Agreement can be terminated by either party during the term by giving 60 days’ prior written notice to the other party.

For FY2017, FY2018 and FY2019, the total subcontracting fees paid by Chit Tat to Yuk Shing under the Yuk Ching Subcontracting Painting Agreement amounted to approximately HK\$926,000, HK\$1,539,000 and HK1,278,000, respectively. In FY2018 and FY2019, Chit Tat also engaged Yuk Shing as a subcontractor to provide information technology maintenance service, which had been terminated as of 31 March 2019. The total subcontracting fees paid by Chit Tat to Yuk Shing for both painting and information technology maintenance services in FY2018 and FY2019 amounted to approximately HK\$1,627,000 and HK\$1,374,000, respectively. For further details, please refer to note 29 in Appendix I to this prospectus. The subcontracting fees payable by our Group to Yuk Shing were determined with reference to the actual subcontracting services rendered.

The estimated maximum transaction amounts of subcontracting fees payable to Yuk Shing under the Yuk Shing Subcontracting Painting Agreement for each of the years ending 31 March 2020, 2021 and 2022 are HK\$1,406,000, HK\$1,547,000 and HK\$1,701,000, respectively. Our Directors are of the view that the maximum transaction amounts contemplated under the Yuk Shing Subcontracting Painting Agreement are arrived at after arm’s length negotiation between the parties thereto with reference to the historical transaction amounts and the prevailing market subcontracting fees from time to time. In order to ensure that the subcontracting fees are fair and reasonable and in line with the prevailing market subcontracting fees, we will obtain quotations of subcontracting service which are of similar nature, quantities and service time frame from other service providers which are Independent Third Parties.

CONNECTED TRANSACTIONS

Provision of electrical control equipment by Mibuka to Chit Tat

During the Track Record Period, Mibuka supplied to Chit Tat electrical control equipment for E&M engineering works, including but not limited to, push buttons, control relays and light switches (the “**Materials**”). On 18 September 2019, Mibuka and Chit Tat entered into a supply agreement (the “**Mibuka Supply Agreement**”), pursuant to which Mibuka agreed to supply the Materials to Chit Tat for a term of three years commencing from the Listing Date. The Mibuka Supply Agreement can be terminated by either party during the term by giving 60 days’ prior written notice to the other party.

For FY2017, FY2018 and FY2019, the total amounts paid by Chit Tat to Mibuka for purchasing the electrical control equipment were approximately HK\$260,000, HK\$109,000 and HK\$221,000, respectively. The amounts payable by our Group to Mibuka were determined with reference to the actual quantity and types of the Materials purchased.

The estimated maximum transaction amounts payable to Mibuka under the Mibuka Supply Agreement for each of the years ending 31 March 2020, 2021 and 2022 are HK\$240,000, HK\$260,000 and HK\$280,000, respectively. Our Directors are of the view that the maximum transaction amounts contemplated under the Mibuka Supply Agreement are arrived after arm’s length negotiation between the parties thereto with reference to the historical transaction amounts and the prevailing market rates of electrical control equipment similar to the Materials from time to time. In order to ensure that the purchase prices are fair and reasonable and in line with the prevailing market rates, we will obtain quotations of pricing terms of materials which are of similar specification, quality, quantities and required time of delivery as the Materials from other suppliers which are Independent Third Parties.

Employment agreements between Chit Tat and connected employees

Chit Tat employs Connected Employees who are connected to our Directors. The Connected Employees include Mr. Cheung Choi On, Mr. Wong Kai Chau, Mr. Chow Kin To, Ms. Ko Karlie, Mr. Wong Hau Wai, Ms. Wong Hoi Yan and Ms. Wong Hoi Ki. For details of their relationships with our Directors, please refer to the paragraph headed “Connected persons” above in this section.

Each of the Connected Employees has entered into a written employment contract (as supplemented by a supplemental written employment contract, where applicable) (the “**Connected Employee Employment Contracts**”) with Chit Tat. It is also expected that the Connected Employees will continue to be employed by our Group following the Listing.

For FY2017, FY2018 and FY2019, the total remuneration (including salaries and allowances, discretionary bonus and retirement benefit scheme contributions) paid to the Connected Employees amounted to approximately HK\$1,714,000, HK\$2,268,000 and HK\$2,681,000, respectively. The remuneration paid to each Connected Employee was commensurate with his or her experience, position and performance.

CONNECTED TRANSACTIONS

Our Directors estimate that the total remuneration (including salaries and allowances, discretionary bonus and retirement benefit scheme contributions) payable to the Connected Employees will not exceed HK\$3 million for each of the years ending 31 March 2020, 2021 and 2022, as determined by our Directors with reference to the contractual amounts payable under the Connected Employee Employment Contracts and the expected adjustments in their salaries during the relevant contractual period.

Directors' confirmation

Our Directors (including our independent non-executive Directors) have confirmed that the transactions under the Yuk Shing Subcontracting Painting Agreement, the Mibuka Supply Agreement and the Connected Employee Employment Contracts were entered into in the ordinary and usual course of business of our Group, on normal commercial terms, fair and reasonable, and in the interest of our Group and Shareholders as a whole.

Listing Rules implications

Since each of the applicable percentage ratios (other than the profits ratio) for each of the above transactions above is less than 5% with annual total consideration of less than HK\$3,000,000, all the transactions above constitute de minimis continuing connected transactions under Rule 14A.76(1)(c) of the Listing Rules, which are fully exempt from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons have interests or short positions in our Shares or underlying shares which will be required 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 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 the general meetings of any other member of our Group:

Name	Capacity/ Nature of interest	Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held (Note 1)	Approximate percentage of interests in our Company
Lightspeed (Note 2)	Beneficial owner	600,000,000 (L)	75%
Mr. Ko (Note 2)	Interest in a controlled corporation and interest of spouse	600,000,000 (L)	75%
Ms. Cheung (Note 2)	Interest in a controlled corporation and interest of spouse	600,000,000 (L)	75%

Notes:

1. The letter “L” denotes long position in our Shares.
2. Mr. Ko and Ms. Cheung beneficially own 70% and 30% of the issued share capital of Lightspeed, respectively. Mr. Ko is the spouse of Ms. Cheung. Therefore, Mr. Ko and Ms. Cheung are deemed, or taken to be, interested in the Shares held by Lightspeed for the purposes of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately prior to and following the completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately prior to and following the completion of the Share Offer and the Capitalisation Issue (without taking 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):

<i>Authorised Share Capital:</i>		<i>HK\$</i>
10,000,000,000	Shares of par value of HK\$0.01 each	<u>100,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>		<i>HK\$</i>
200	Shares in issue as of the date of this prospectus	2
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
<u>599,999,800</u>	Shares to be issued pursuant to the Capitalisation Issue	<u>5,999,998</u>
Total Shares issued and to be issued immediately upon completion of the Share Offer and the Capitalisation Issue		<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the allotment and issuance of Shares pursuant to the Share Offer and Capitalisation Issue are made. It does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; (b) any Shares which may be issued pursuant to exercise of any option that may be granted under the Share Option Scheme; and (c) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as referred to below.

If the Over-allotment Option is exercised in full, then 30,000,000 additional Shares will be allotted and issued, resulting in a total enlarged issued share capital of HK\$8,300,000 divided into 830,000,000 Shares.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 18 September 2019, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors are authorised to allot and issue a total of 599,999,800 Shares, credited as fully paid, at par to the holder of Shares on the register of members of our Company (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,999,998 standing to the credit of the share premium account of our Company, and Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 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 200,000,000 Offer Shares represent 25% of the total issued share capital of our Company upon the Listing (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus, save for the entitlement under the Capitalisation Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

As a matter of the Cayman Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Summary of the constitution of our Company and the Cayman Islands company law” in Appendix III to this prospectus.

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 Option Scheme” in Appendix IV 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 Shares with an aggregate nominal value of not more than the sum of:

- (i) 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 (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme); and

SHARE CAPITAL

- (ii) the aggregate nominal value of the share capital repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred in the paragraph headed “General mandate to repurchase Shares” in this section.

This mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “A. Further information about our Group — 5. Resolutions in writing of our sole Shareholder passed on 18 September 2019” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue or to be issued immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options to be granted which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange(s) on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which may be made in accordance with all applicable laws and/or regulations or the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “A. Further information about our Group — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

SHARE CAPITAL

- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “A. Further information about our Group — 5. Resolutions in writing of our sole Shareholder passed on 18 September 2019” in Appendix IV to this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of Shareholders alter the share capital of our Company. For a summary of the provisions in the Articles of Association regarding alterations of share capital, please refer to the paragraph headed “2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our Group's business.

The following tables set forth certain information regarding our Directors and senior management members:

Executive Directors

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management members
Mr. Ko Lai Hung (高黎雄)	50	Chairman of our Board, chief executive officer and executive Director	20 September 2018	18 February 2000	Responsible for the overall strategic planning, management and administration of our Group's business operations; serving as a member of our Nomination Committee and Remuneration Committee	Spouse of Ms. Cheung, and the father of Mr. CK Ko
Ms. Cheung Mei Lan (張美蘭)	50	Executive Director	20 September 2018	18 February 2000	Responsible for the overall strategic planning, management and administration of our Group's business operations	Spouse of Mr. Ko, and the mother of Mr. CK Ko

Non-executive Director

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management members
Mr. Ko Angus Chun Kit (高俊傑)	26	Non-executive Director	24 January 2019	24 January 2019	Responsible for advising on business development and planning of our Group; serving as a member of our Audit Committee	Son of Mr. Ko and Ms. Cheung

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management members
Mr. Chan Cheong Tat (陳昌達)	69	Independent non-executive Director	18 September 2019	18 September 2019	Responsible for providing independent advice to our Board; serving as chairperson of our Nomination Committee and a member of our Audit Committee and Remuneration Committee	Nil
Ms. Tse Ka Wing (謝嘉穎)	36	Independent non-executive Director	18 September 2019	18 September 2019	Responsible for providing independent advice to our Board; serving as chairperson of our Audit Committee	Nil
Mr. Ho Chi Shing (何志誠)	68	Independent non-executive Director	18 September 2019	18 September 2019	Responsible for providing independent advice to our Board; serving as chairperson of our Remuneration committee and a member of our Nomination Committee	Nil

Senior management

Name	Age	Present position(s) in our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Directors and senior management members
Mr. Chan Tak Sun Sammy (陳得信)	56	Chief financial officer and company secretary	24 September 2018	Responsible for overseeing our Group's financial operations and overall corporate governance of our Group	Nil
Mr. Lam Ka Tak (林家得)	51	Project director	1 December 2015	Responsible for the overall management of our Group's E&M engineering projects	Nil

DIRECTORS

Executive Directors

Mr. Ko Lai Hung (高黎雄), aged 50, is the founder of our Group, an executive Director, our chief executive officer and one of our Controlling Shareholders. He joined our Group on 18 February 2000 and was appointed as a Director on 20 September 2018. Mr. Ko was appointed as the chairman of our Board and the chief executive officer of our Company, and was re-designated as an executive Director on 24 January 2019. He is also a member of our Nomination Committee and Remuneration Committee. He is responsible for the overall strategic planning, management and administration of our Group's business operations. Mr. Ko is currently a director of Ascend and Chit Tat. Mr. Ko is the spouse of Ms. Cheung and the father of Mr. CK Ko.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ko has accumulated over 20 years of experience in the E&M engineering industry in Hong Kong. He attained his secondary education at Pingtan No. 2 Middle School (平潭縣第二中學) in the PRC in September 1984. Prior to founding the Group, he was the proprietor of Chit Tat Engineering Co, which was mainly involved in the provision of electrical engineering services in Hong Kong, from 1995 to 2006. With his extensive industry experience, Mr. Ko founded, together with other industry players, Hong Kong Air Conditioning Construction Association Limited (香港空調建設商會有限公司), a non-profit-making organisation with a mission of strengthening the connection and communication among air conditioning contractors in Hong Kong in June 2018. He has been leading the association as the president and one of the directors of the association since founding the association. Chit Tat is also a member of this association.

Ms. Cheung Mei Lan (張美蘭), aged 50, is an executive Director and one of our Controlling Shareholders. She joined our Group on 18 February 2000 and was appointed as a Director on 20 September 2018. Ms. Cheung was re-designated as an executive Director on 24 January 2019. She is responsible for the overall strategic planning, management and administration of our Group's business operations. Ms. Cheung is currently a director of Ascend and Chit Tat. She is the spouse of Mr. Ko and the mother of Mr. CK Ko.

Ms. Cheung completed her junior secondary education at Fuqing Jiangjing Middle School (福清市江鏡中學) in the PRC in 1983. Since the incorporation of Chit Tat, Ms. Cheung has accumulated more than 18 years of experience in the E&M engineering industry in Hong Kong. She has been working as a director of Chit Tat since 2000.

Non-executive Director

Mr. Ko Angus Chun Kit (高俊傑), aged 26, was appointed as a non-executive Director of our Company on 24 January 2019. He is a member of our Audit Committee. Mr. CK Ko is responsible for advising on business development and planning of our Group. Mr. CK Ko is the son of Mr. Ko and Ms. Cheung.

Mr. CK Ko graduated from the University of Rochester in the United States with a master's degree in finance and the University of Hong Kong with a bachelor's degree in economics and finance in December 2016 and November 2015, respectively. He became a member of the Chartered Alternative Investment Analyst Association in November 2017. Mr. CK Ko has been a SFC licensed representative of Type 1 (dealing in securities) regulated activity in Hong Kong since June 2018. He has been working in Bright Minds Capital Limited since September 2017 and his current position is assistant vice president. He founded Erth Limited, a start-up green lifestyle company incorporated in Hong Kong in November 2017, and has been a director of it since then.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Chan Cheong Tat (陳昌達) (“Mr. CT Chan”), aged 69, was appointed as an independent non-executive Director of our Company on 18 September 2019. He is the chairperson of our Nomination Committee and a member of our Audit Committee and our Remuneration Committee. Mr. CT Chan is responsible for providing independent advice to our Board.

Mr. CT Chan has over 32 years of work experience in the Inland Revenue Department. His last position was assistant commissioner before he retired in 2005. Mr. CT Chan graduated from the Central Queensland University in Australia with a master’s degree in financial management in October 1995 through distance learning. He has been an associate of The Institute of Chartered Secretaries and Administrators of London, the United Kingdom and The Hong Kong Institute of Chartered Secretaries (formerly known as The Hong Kong Institute of Company Secretaries) since March 1974 and August 1994, respectively. Mr. CT Chan has also been a fellow of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since March 1986; a fellow of the Association of Chartered Certified Accountants (formerly known as the Association of Certified Accountants) since November 1983; and a fellow of CPA Australia (formerly known as the Australian Society of Certified Practising Accountants) since June 1990.

Mr. CT Chan has been the sole director of C T Tax Consultants Limited, a tax consultancy, since August 2006. Further, Mr. CT Chan has been an independent non-executive director of Guangdong Tannery Limited (Stock Code: 1058), Medicskin Holdings Limited (Stock Code: 8307), Hyfusin Group Holdings Limited (Stock Code: 8512) and Dominate Group Holdings Company Limited (Stock Code: 8537) since March 2006, December 2014, June 2018 and March 2019, respectively. He was an independent non-executive director of Noble Jewelry Holdings Limited (currently known as Zhong Fa Zhan Holdings Limited) (Stock Code: 475) from October 2006 to December 2011; Wasion Holdings Limited (Stock Code: 3393) from May 2014 to May 2015; and Man Sang International Limited (Stock Code: 938) from January 2015 to December 2016.

Ms. Tse Ka Wing (謝嘉穎), aged 36, was appointed as an independent non-executive Director of our Company on 18 September 2019. She is the chairperson of our Audit Committee. Ms. Tse is responsible for providing independent advice to our Board.

Ms. Tse obtained an associate of business administration degree in accountancy and a bachelor of business administration degree in accountancy from the City University of Hong Kong in November 2004 and November 2006. She also obtained a master of corporate governance degree from The Hong Kong Polytechnic University in September 2018. She has been a member of the Hong Kong Institute of Chartered Secretaries since November 2018. In addition, Ms. Tse has been a member and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants since January 2011 and March 2014, respectively. She is currently an authorised supervisor of the Hong Kong Institute of Certified Public Accountants to train prospective members of the institute.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Tse has accumulated over 13 years of financial and accounting experience. She worked as an auditor in Andrew Tse & Company from September 2006 to February 2008. Thereafter, she served BDO Limited for five years with her last position as assistant manager (assurance) from February 2008 to November 2013. In November 2013, Ms. Tse joined Union Honor International Enterprise Limited as an assistant accounting manager, and then worked in HKUE Limited from November 2014 to March 2016 with her last position as financial controller. Subsequently, Ms. Tse served as the financial controller and company secretary at Kwong Man Kee Group Limited (Stock Code: 8023) from March 2016 to December 2017. Ms. Tse joined Skyway United Limited in March 2018 and her current position is chief financial officer and company secretary.

Mr. Ho Chi Shing (何志誠), aged 68, was appointed as an independent non-executive Director of our Company on 18 September 2019. He is the chairperson of our Remuneration Committee and a member of our Nomination Committee. Mr. Ho is responsible for providing independent advice to our Board.

Mr. Ho graduated from The University of Hong Kong with a bachelor of science degree in engineering, a post graduate diploma in software engineering, a master of business administration and a postgraduate certificate in laws in November 1976, January 1989, November 1991 and June 2011, respectively. He also obtained a graduate diploma in English and Hong Kong law (common professional examination) and a bachelor of laws from The Manchester Metropolitan University in July 2008 and July 2009, respectively. Mr. Ho was admitted as a member of the Institution of Electrical Engineers in November 1981. He has been: (i) a Chartered Engineer of the Council of Engineering Institutions since February 1982; (ii) a member of the Hong Kong Institution of Engineers since July 1985; and (iii) a member of the Chartered Institution of Building Services Engineers (formerly known as the Chartered Institution of Building Services) since April 1982 and a fellow of it since March 2004. He practised as a Barrister-at-law from October 2012 to December 2014.

Mr. Ho has over 30 years of experience in the construction industry in Hong Kong. He worked in China Light & Power Company Limited from September 1976 to October 1979 with his last position as a second engineer of the sub-station design department. He had served the Hong Kong Housing Authority for about 32 years from October 1979 to September 2011 with his last position held as the chief building services engineer. He had been an honorary advisor for Hong Kong Applied Science and Technology Research Institute Company Limited from October 2011 to October 2016. Mr. Ho has served as a member of the Hong Kong Quality Assurance Agency's governing council since 2005, and has been taking the role as deputy chairman since 2011. Mr. Ho has been working at BEAM Society Limited as a general manager since March 2014. He has also been appointed as a part-time lecturer in Shenzhen Audencia Business School since July 2018 and an honorary principal lecturer in the Department of Electrical and Electronic Engineering of The University of Hong Kong since September 2005.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' INTEREST

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Director, senior management, Substantial Shareholder or Controlling Shareholder as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, save as those disclosed in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 1. Directors” in Appendix IV in this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO. Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Chan Tak Sun Sammy (陳得信), aged 56, is our chief financial officer and company secretary. He joined our Group in September 2018 and is responsible for overseeing our Group's financial operations and the overall corporate governance of our Group.

Mr. Chan obtained a master degree of business administration from The Open University of Hong Kong in June 2006 and a professional diploma in accountancy from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988. He has been a fellow member of the Association of Chartered Certified Accountants since March 1997 and an associate member of the Hong Kong Institute of Certified Public Accountants since January 1993.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has accumulated more than 20 years of experience in the finance industry. The following table highlights Mr. Chan's professional experience prior to joining our Group:

Company name	Position	Duration
AIP Partners C.P.A. Ltd.	Principal	from May 2015 to September 2018
SK Associates	Partner	from April 2011 to March 2015
HOK International (Asia/Pacific) Limited	Financial controller	from May 2008 to March 2011
Union Rubber Manufacturing Co., Ltd.	Financial controller	from March 2007 to February 2008
Topsearch Printed Circuits (HK) Ltd.	Financial controller, corporate and company secretary	from April 2005 to November 2006
Singamas Container Holdings Limited (Stock Code: 716)	Financial controller	from September 2002 to April 2004
Top Solution (HK) Ltd.	Financial controller	from March 2001 to August 2001
Chaifa Investment Limited (Stock Code: 139)	Financial controller	from September 1998 to January 2000
Glorious Sun Enterprises Limited (Stock Code: 393)	Deputy financial controller	from December 1996 to May 1998

During the three years immediately preceding the Latest Practicable Date, Mr. Chan has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Lam Ka Tak (林家得), aged 51, is a project director of our Group. He joined our Group in December 2015 as a project manager and was subsequently promoted to senior project manager and project director in February 2017 and January 2019, respectively. Mr. Lam is primarily responsible for the overall management of our Group's E&M engineering projects.

Mr. Lam obtained a higher diploma in mechanical engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1994. He has over 20 years' of experience in the construction industry. Before joining our

DIRECTORS AND SENIOR MANAGEMENT

Group, Mr. Lam worked in Kervin Engineering Co., Ltd. from October 1993 to November 2012 with his last position held as project manager. He also served as the project manager of Pyrofoe Air-Conditioning & Electrical Co., Ltd. from December 2012 to October 2015.

During the three years immediately preceding the Latest Practicable Date, Mr. Lam has not been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Mr. Chan Tak Sun Sammy is our company secretary. He is one of the senior management of our Company. Please refer to the paragraph headed “Senior management” in this section for his biography.

AUTHORISED REPRESENTATIVES

Mr. Ko and Mr. Chan Tak Sun Sammy have been appointed as the authorised representatives of our Company under Rule 3.05 of the Listing Rules.

COMPLIANCE OFFICER

Mr. Chan Tak Sun Sammy has been appointed as the compliance officer of our Company on 24 January 2019. For his biographical information, please refer to the paragraph headed “Senior management” in this section.

COMPLIANCE ADVISER

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

DIRECTORS AND SENIOR MANAGEMENT

The term of the appointment shall commence on the Listing Date and end on (and include) the date on which we distribute our annual report 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 2021).

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.

BOARD COMMITTEES

We have established the following committees in our Board: an Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

We established our Audit Committee on 18 September 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). Our Audit Committee consists of Ms. Tse Ka Wing, Mr. Chan Cheong Tat and Mr. CK Ko. The chairperson of our Audit Committee is Ms. Tse Ka Wing, an independent non-executive Director, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

We established our Remuneration Committee on 18 September 2019 with written terms of reference in compliance with paragraph B.1 and paragraph D.3 of the Corporate Governance Code. Our Remuneration Committee consists of Mr. Ho Chi Shing, Mr. Chan Cheong Tat and Mr. Ko. The chairperson of our Remuneration Committee is Mr. Ho Chi Shing, an independent non-executive Director. The primary duties of our Remuneration Committee include, but are not limited to: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We established our Nomination Committee on 18 September 2019 with written terms of reference in compliance with paragraph A.5 and paragraph D.3 of the Corporate Governance Code. Our Nomination Committee consists of Mr. Chan Cheong Tat, Mr. Ho Chi Shing and Mr. Ko. The chairperson of our Nomination Committee is Mr. Chan Cheong Tat, an independent non-executive Director. The primary functions of our Nomination Committee include, without limitation, formulating and reviewing the board diversity policy of our Company, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

BOARD DIVERSITY POLICY

As our Group recognises the benefits of having a diversified Board, we have adopted a Board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. By adopting our Board diversity policy, our Board members have the appropriate balance of skills, experience, diversity of perspectives that are required to support our Group's business strategies and sustainable development. Pursuant to our Board diversity policy, our Company seeks to achieve Board diversity by selection of candidates for our Board through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, independence, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Upon the Listing, our Nomination Committee will: (i) monitor the implementation of our Board diversity policy; (ii) disclose our Board's composition under diversified perspectives in the corporate governance report contained in our annual report; and (iii) review our Board diversity policy from time to time to ensure its continued effectiveness and recommend any revisions that may be required to our Board for consideration and approval.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 18 September 2019 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 IV to this prospectus.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviation from the code provision A.2.1 of the Corporate Governance Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ko is the chairman of our Board and

DIRECTORS AND SENIOR MANAGEMENT

the chief executive officer of our Company. He has been managing our Group's business and supervising the overall operations of our Group since 2000. Our Directors consider that vesting the roles of the chairman of our Board and the chief executive officer of our Company in Mr. Ko is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries and allowances, discretionary bonus and other benefits-in-kind, including our Company's contribution to the retirement benefit scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

For FY2017, FY2018 and FY2019, the aggregate amount of compensation paid by us to our Directors (including fees, salaries and other allowances, discretionary bonus and retirement benefit scheme contributions) was approximately HK\$2.2 million, HK\$3.7 million and HK\$5.0 million, respectively.

Save as disclosed above, no other fees, salaries and allowances, discretionary bonuses and benefits in kind and retirement benefit schemes contributions were paid by our Group to our Directors during the Track Record Period.

Two of our Directors were our Group's five highest paid individuals for FY2017, FY2018 and FY2019, respectively. The emoluments paid by us to the other three highest paid individuals of our Group during the Track Record Period were as follows:

	FY2017	FY2018	FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	1,670	2,106	1,956
Discretionary bonus	710	385	802
Retirement benefit scheme contributions	<u>54</u>	<u>54</u>	<u>54</u>
	<u>2,434</u>	<u>2,545</u>	<u>2,812</u>

No remuneration was paid to our Directors or the five highest paid individuals (including two Directors) as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as 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. None of our Directors waived any emoluments during the same period.

The expected annual Directors' fees and other emoluments to be paid by our Group for the financial year ending 31 March 2020 will be approximately HK\$5.1 million.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our Group's audited consolidated financial information and the notes thereto as set out in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. Our Group's business and financial performance are subject to substantial risks and uncertainties and our future results could differ materially from those set forth in the forward-looking statements herein due to a variety of factors including those set forth in the "Risk factors" 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

We have been providing E&M engineering services in Hong Kong and our history can be traced back to 2000. Our E&M engineering services typically involve supply, installation and maintenance of (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems on a project-by-project basis. During the Track Record Period, we delivered our services as a first-tier or second-tier subcontractor and mainly served private residential sector property development projects in Hong Kong including such projects under certain well-known property developers.

During the Track Record Period, we generated all our revenue from the provision of E&M engineering services, which amounted to approximately HK\$193.6 million, HK\$210.8 million and HK\$312.7 million, respectively and we worked on a total of 84 E&M engineering projects with a total original contract sum of approximately HK\$1,804.2 million, among which 41 projects had been completed. As at the Latest Practicable Date, we had 46 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) and we have a total estimated remaining contract value of approximately HK\$748.9 million, which we expect to recognise revenue of approximately HK\$265.6 million, HK\$468.4 million and HK\$14.9 million for the three years ending 31 March 2022, respectively. Please refer to the section headed "Business" in this prospectus for further details of our business.

FINANCIAL INFORMATION

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of profit or loss and other comprehensive income for the Track Record Period set forth below is extracted from and should be read in conjunction with the Accountants' Report included in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Revenue	193,635	210,804	312,732
Cost of services	<u>(148,574)</u>	<u>(153,513)</u>	<u>(231,718)</u>
Gross profit	45,061	57,291	81,014
Other income and expenses, net	4,530	674	2,121
Listing expenses	—	—	(11,395)
Administrative expenses	(12,777)	(14,445)	(14,850)
Finance costs	<u>(53)</u>	<u>(270)</u>	<u>(628)</u>
Profit before taxation	36,761	43,250	56,262
Income tax expense	<u>(5,456)</u>	<u>(7,181)</u>	<u>(10,867)</u>
Profit and total comprehensive income for the year	<u><u>31,305</u></u>	<u><u>36,069</u></u>	<u><u>45,395</u></u>

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the Reorganisation (“**Reorganisation**”), as described in the section headed “History, Reorganisation and corporate structure” in this prospectus and in Appendix IV to this prospectus, our Company became the holding company of the subsidiaries now comprising our Group on 30 November 2018. Our Group is principally engaged in the provision of E&M engineering services. No audited financial statements have been prepared for our Company since its date of incorporation as there is no statutory requirement for it to prepare audited financial information. For the purpose of the Accountants' Report set up in Appendix I to this prospectus, the Directors of our Company has prepared the consolidated financial information of our Group for the Track Record Period in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), the disclosure requirements of the Listing Rules and the Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our financial conditions and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed “Risk factors” in this prospectus.

Market demand

Our results of operations are directly affected by our revenue which depends on the market demand of our service. Market demands is in turn significantly affected by factors including the economy of Hong Kong, level of property development and the relevant construction activities in Hong Kong. During the Track Record Period, we provide E&M engineering services in Hong Kong and mainly focus on new residential property development projects. Difference in our project size and number of projects may change from time to time according to the property development project of our customers undertaken by us. Variation in level of construction activities in Hong Kong, particularly in relation to private sector property development, could have significant impact on the demand for our services and, therefore, significant impact on our business and results of operations. In addition, our projects are generally one-off projects which are not recurrent in nature. There is no guarantee that our client will provide us with new contracts or that we will secure new clients.

Pricing and gross profit margin of our projects

Our projects are usually awarded by way of a competitive tender. When we prepare our tender submission for a prospective project, we will estimate the profit and gross profit margin in terms of monetary value and percentage. The price depends on various factors, including the scope, complexity and specifications of the projects, the estimated project cost (which mainly includes the direct labour cost, material costs based on the preliminary quotations from our suppliers and subcontractors), our relationship with inviting party, and the market fee level. In order to maintain our probability, we have to strike a balance between our pricing and our adequate profit margin. Sometimes, we wish to undertake some of the strategic projects that can enhance our corporate profile, and we may submit a more competitive tender submission at a competitive price with a lower profit margin. Should we fail to balance the pricing and our profit, our profitability and financial performance may be adversely affected.

Fluctuations in our cost of services

The components of our cost of services are subcontracting fees, cost of materials and direct labour costs. During the Track Record Period, our subcontracting fees accounted for approximately 31.9%, 33.0% and 39.8% of our total cost of services; our cost of materials accounted for approximately 42.2%, 37.9% and 35.6% of our total cost of services; and our direct labour costs accounted for approximately 24.7%, 25.3% and 21.8% of our total cost of services. The cost of services may fluctuate after we have secured our projects and may

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deviate from our initial estimation during tendering stage. As a result, our profitability heavily depends on our ability to control and manage our cost of services.

During the Track Record Period, our cost of materials were principally related to the materials and accessories procured and used by us for our E&M engineering services. On the other hand, depending on the scale of the project, the required completion timeframe and our manpower availability, we may either engage subcontractors to assist us or use our direct labour in completing on-site works of a project. Accordingly, our subcontracting fees represented payments to those subcontractors and therefore may vary depending on the size and number of the projects, their required involvement and the complexity of work required.

The following sensitivity analysis only illustrates the impact of hypothetical fluctuations in our cost of services on our profit before taxation during the Track Record Period, assuming all other variables remain constant. Fluctuations in our cost of services are assumed to be 5%, 10%, and 15%, respectively, which are determined by reference to the relevant historical fluctuations during the Track Record Period.

Hypothetical fluctuations of our subcontracting fees

	+/-5% <i>HK\$'000</i>	+/-10% <i>HK\$'000</i>	+/-15% <i>HK\$'000</i>
Decrease/increase in profit before taxation			
FY2017	2,373	4,746	7,119
FY2018	2,535	5,071	7,606
FY2019	4,612	9,225	13,837

Hypothetical fluctuations of our cost of materials

	+/-5% <i>HK\$'000</i>	+/-10% <i>HK\$'000</i>	+/-15% <i>HK\$'000</i>
Decrease/increase in profit before taxation			
FY2017	3,138	6,275	9,413
FY2018	2,906	5,812	8,718
FY2019	4,128	8,256	12,385

Hypothetical fluctuations of our direct labour costs

	+/-5% <i>HK\$'000</i>	+/-10% <i>HK\$'000</i>	+/-15% <i>HK\$'000</i>
Decrease/increase in profit before taxation			
FY2017	1,837	3,674	5,511
FY2018	1,938	3,876	5,814
FY2019	2,521	5,042	7,564

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Ability to secure new projects

Securing sizeable and profitable projects is key in maintaining our profitability. We provide E&M engineering services on a project-by-project basis. As we typically secure projects by way of competitive tender through invitations, in the event that our Group does not receive such invitations, or is unable to secure new projects with sufficient amount of contract sum, our revenue and financial performance will be adversely affected.

Supply of labour

Our E&M engineering services involve labour intensive works. The shortage of experienced labour may affect our ability to (i) deliver our services on a timely manner and/or with quality as expected by our customers for existing projects; and (ii) undertake new projects. Any significant shortage of labour may result in delay in completion of our works and/or expose us to claims of liquidated damages which may adversely affect our revenue and financial performance.

CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Note 4 of the Accountant's Report in Appendix I to this prospectus sets forth certain significant accounting policies which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve estimates and judgements that are discussed in note 5 of the Accountants' Report in Appendix I to this prospectus. In the application of our accounting policies, our management is required to make estimates and judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and judgements are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and judgements are reviewed by our management on an ongoing basis. Please refer to note 5 of the Accountants' Report in Appendix I to this prospectus for details.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue represented contract revenue recognised for the provision of E&M engineering services to our clients, which amounted to approximately HK\$193.6 million, HK\$210.8 million and HK\$312.7 million for FY2017, FY2018 and FY2019, respectively.

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The following table sets forth the breakdown of our Group's revenue by our role as first-tier subcontractor and second-tier subcontractor during the Track Record Period:

	FY2017		FY2018		FY2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
First-tier subcontractor	146,033	75.4	164,002	77.8	281,417	90.0
Second-tier subcontractor	47,602	24.6	46,802	22.2	31,315	10.0
Total	<u>193,635</u>	<u>100.0</u>	<u>210,804</u>	<u>100.0</u>	<u>312,732</u>	<u>100.0</u>

Revenue recognised by our role as first-tier subcontractor was approximately HK\$146.0 million, HK\$164.0 million and HK\$281.4 million for FY2017, FY2018 and FY2019, respectively, representing approximately 75.4%, 77.8% and 90.0% of our revenue for the corresponding years. As the gross profit margin for first-tier subcontractor is generally higher than the second-tier subcontractor mainly due to (i) additional scope of work which generally covered project management and procurement of major materials in addition to the second-tier subcontractor's work we normally carry out; and (ii) we generally perform most of the subcontracting works which would generally be subcontracted out to lower-tier subcontractors by other first-tier subcontractors engaging in E&M engineering services, and we have been shifting our focus from acting as second-tier subcontractor to first-tier subcontractor, there was a year-to-year increase in both amount and proportion of revenue recognised by our role as first-tier subcontractor from FY2017 to FY2019.

Revenue recognised by our role as second-tier subcontractor was approximately HK\$47.6 million, HK\$46.8 million and HK\$31.3 million for FY2017, FY2018 and FY2019, respectively, representing approximately 24.6%, 22.2% and 10.0% of our revenue for the corresponding years. The decrease of both amount and proportion of revenue recognised by our role as second-tier subcontractor was mainly due to the shift of our focus to act as first-tier subcontractor as previously explained in the above paragraph.

The following table sets forth the breakdown of our revenue by types of services during the Track Record Period:

	FY2017		FY2018		FY2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
MVAC systems	169,179	87.4	192,463	91.3	279,266	89.3
Electrical systems	11,602	6.0	11,403	5.4	30,411	9.7
Swimming pool, fountain and plumbing and drainage systems	12,854	6.6	6,938	3.3	3,055	1.0
Total	<u>193,635</u>	<u>100.0</u>	<u>210,804</u>	<u>100.0</u>	<u>312,732</u>	<u>100.0</u>

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Revenue recognised from MVAC systems was approximately HK\$169.2 million, HK\$192.5 million and HK\$279.3 million for FY2017, FY2018 and FY2019, respectively, representing approximately 87.4%, 91.3% and 89.3% of our revenue for the corresponding years. The slight increasing trend was in line with our focus on MVAC E&M engineering projects during the Track Record Period.

Revenue recognised from electrical systems was approximately HK\$11.6 million, HK\$11.4 million and HK\$30.4 million for FY2017, FY2018 and FY2019, respectively, representing approximately 6.0%, 5.4% and 9.7% of our revenue for the corresponding years. As advised by our Directors, we mainly provide service related to the electrical systems in supplement to the projects related to installation of MVAC system, therefore, the contract sum and hence revenue was generated generally in a relatively small scale.

Revenue recognised from swimming pool, fountain and plumbing and drainage system was approximately HK\$12.9 million, HK\$6.9 million and HK\$3.1 million for FY2017, FY2018 and FY2019, respectively, representing approximately 6.6%, 3.3% and 1.0% of our revenue for the corresponding years. The decrease in revenue recognised from swimming pool, fountain and plumbing and drainage system was primarily due to the completion of projects in swimming pool, fountain and plumbing and drainage system and we tendered less this type of project thereafter.

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

	FY2017		FY2018		FY2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential	176,297	91.0	187,397	88.9	284,105	90.8
Non-residential	<u>17,338</u>	<u>9.0</u>	<u>23,407</u>	<u>11.1</u>	<u>28,627</u>	<u>9.2</u>
Total	<u><u>193,635</u></u>	<u><u>100.0</u></u>	<u><u>210,804</u></u>	<u><u>100.0</u></u>	<u><u>312,732</u></u>	<u><u>100.0</u></u>

Revenue contributed by residential projects was approximately HK\$176.3 million, HK\$187.4 million and HK\$284.1 million for FY2017, FY2018 and FY2019, respectively, representing approximately 91.0%, 88.9% and 90.8% of our revenue for the corresponding years. During the Track Record Period, we primarily focus on the private residential sector.

Revenue contributed by non-residential projects was approximately HK\$17.3 million, HK\$23.4 million and HK\$28.6 million for FY2017, FY2018 and FY2019, respectively, representing approximately 9.0%, 11.1% and 9.2% of our revenue for the corresponding years. As we focus more on residential projects, both the amount and proportion from non-residential projects decreased accordingly.

Our revenue is recognised when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. We recognised our E&M engineering services revenue over time during the Track Record Period based on the progress towards complete satisfaction of a performance obligation which is measured based on input method, which is to recognise

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revenue on the basis of our efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict our performance in transferring control of goods or services, under HKFRS 15, which has been early adopted consistently throughout the Track Record Period and have no significant impact on the financial position and performance of our Group compared to the requirements of HKAS 11 and HKAS 18 as confirmed by our Directors. The following table sets forth a breakdown of our projects based on their respective remaining contract value during the Track Record Period:

Number of projects by remaining contract value	As at 31 March			
	2016	2017	2018	2019
HK\$100,000,000 or above	—	—	1	2
HK\$50,000,000 to below HK\$100,000,000	1	3	6	5
HK\$25,000,000 to below HK\$50,000,000	2	—	—	4
HK\$10,000,000 to below HK\$25,000,000	4	5	5	4
HK\$1,000,000 to below HK\$10,000,000	16	18	17	16
Below HK\$1,000,000	43	34	25	33
Total	66	60	54	64

Notes:

- As certain projects commenced in a financial year and completed in another financial year, some projects were with remaining contract value for more than one financial year.
- There were certain projects which were with remaining contract value and contributed revenue due to the services provided after their practical completion in FY2017, FY2018 and FY2019.

Number of projects by initial contract sum	As at 31 March			
	2016	2017	2018	2019
HK\$100,000,000 or above	—	—	1	2
HK\$50,000,000 to below HK\$100,000,000	2	5	9	10
HK\$25,000,000 to below HK\$50,000,000	4	4	4	6
HK\$10,000,000 to below HK\$25,000,000	11	13	16	15
HK\$1,000,000 to below HK\$10,000,000	35	29	21	26
Below HK\$1,000,000	14	9	3	5
Total	66	60	54	64

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The following table sets forth the range and average of revenue contributed by our projects during the Track Record Period:

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Maximum revenue generated from a project	48,151	50,335	58,627
Minimum revenue generated from a project	1	6	2
Average revenue generated per project	2,617	3,011	4,468

Cost of services

Our cost of services primarily consisted of (i) cost of materials such as MVAC systems and relevant accessories; (ii) subcontracting fees for engaging subcontractors to assist us in handling on-site works; (iii) direct labour costs; and (iv) others such as insurance related to workers for on-site works, pneumoconiosis levy and Construction Industry Levy charged by our customers.

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

	FY2017		FY2018		FY2019	
	<i>HK\$'000</i>	<i>% of total cost of sales</i>	<i>HK\$'000</i>	<i>% of total cost of sales</i>	<i>HK\$'000</i>	<i>% of total cost of sales</i>
Cost of materials	62,751	42.2	58,123	37.9	82,564	35.6
Subcontracting fees	47,460	31.9	50,708	33.0	92,248	39.8
Direct labour costs	36,742	24.7	38,762	25.3	50,424	21.8
Others	1,621	1.2	5,920	3.8	6,482	2.8
Total	<u>148,574</u>	<u>100.0</u>	<u>153,513</u>	<u>100.0</u>	<u>231,718</u>	<u>100.0</u>

Cost of materials

The major components of our cost of services was cost of materials, which accounted for approximately HK\$62.8 million, HK\$58.1 million and HK\$82.6 million, respectively, representing approximately 42.2%, 37.9% and 35.6% of our total cost of services for FY2017, FY2018 and FY2019, respectively. Our cost of materials were mainly relevant to air conditioners, thermo ventilators, ventilators fans, ventilation ducts and accessories. We generally place orders for the major materials and accessories used in our projects according to the respective work plans and schedules to better manage the timeliness of their deliveries with our actual installation and application schedules.

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Subcontracting fees

Subcontracting fees represented service fees paid and payable to our subcontractors who engaged to provide parts of site works for some of our E&M engineering service contracts during the Track Record Period. The subcontracting fees incurred for a particular contract varies from project to project depending on the scope of the project, amount of labour work required and the construction site condition of the project. For FY2017, FY2018 and FY2019, our subcontracting fees amounted to approximately HK\$47.5 million, HK\$50.7 million and HK\$92.2 million, representing approximately 31.9%, 33.0% and 39.8% of our total cost of services, respectively.

Direct labour costs

Our direct labour costs primarily represented our staff costs attributable to the staff of the project teams who were directly involved in the provision of our Group's services. The direct labour costs incurred for a particular contract varies from project to project depending on the scope and size of our project, and is mainly driven by factors such as man hours incurred; the construction site condition; and the size and complexity of contract works involved. For FY2017, FY2018 and FY2019, direct labour costs amounted to approximately HK\$36.7 million, HK\$38.8 million and HK\$50.4 million, representing approximately 24.7%, 25.3% and 21.8% of our total cost of services, respectively.

Others

Others costs mainly consisted of employees compensation insurance related to our staff who worked on-site, the pneumoconiosis levy and the Construction Industry Levy charged. For FY2017, FY2018 and FY2019, others amounted to approximately HK\$1.6 million, HK\$5.9 million and HK\$6.5 million representing approximately 1.2%, 3.8% and 2.8%, respectively.

Gross Profit and gross profit margin

For FY2017, FY2018 and FY2019, our gross profit was approximately HK\$45.1 million, HK\$57.3 million and HK\$81.0 million, and our gross profit margins were approximately 23.3%, 27.2% and 25.9%, respectively. Our gross profit margin varies from project to project and depends on a number of factors, including (i) the scope and complexity of the project; (ii) our strategy (which affects our targeted profit margin); (iii) estimated direct costs, such as the extent of use of subcontracting services, labour and materials requirements; and (iv) project size, etc. which, depending on the stage of completion of the projects that were in, the amount of work performed and the corresponding portion of revenue recognised in a given year, may lead to fluctuations in our overall profit margin.

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The following table sets forth the breakdown of our gross profit and gross profit margin (being gross profit divided by revenue for a particular year as indicated) by our role as first-tier subcontractor and second-tier subcontractor during the Track Record Period:

	FY2017		FY2018		FY2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
First-tier subcontractor	35,316	24.2	47,933	29.2	73,133	26.0
Second-tier subcontractor	<u>9,745</u>	20.5	<u>9,358</u>	20.0	<u>7,881</u>	25.2
Total	<u><u>45,061</u></u>	23.3	<u><u>57,291</u></u>	27.2	<u><u>81,014</u></u>	25.9

For FY2017, FY2018 and FY2019, our gross profit margin for projects we worked on as first-tier subcontractor was approximately 24.2%, 29.2% and 26.0%, respectively. The general increasing trend of gross profit margin during the Track Record Period was in line with our shift of focus from acting as second-tier subcontractor to first-tier subcontractor which generally has a higher gross profit margin mainly due to the additional work scope and the fact that we generally perform most of the subcontracting works which would generally be subcontracted out to lower-tier subcontractors by other first-tier subcontractors engaging in E&M engineering services. For the relatively high gross profit margin for projects we worked on as first-tier subcontractor in FY2018, as compared to other corresponding years, was due to the recognition of an extension of time for a project.

For FY2017, FY2018 and FY2019, our gross profit margin for projects we worked on as second-tier subcontractor was approximately 20.5%, 20.0% and 25.2%, respectively. For the relatively high gross profit margin for projects we worked on as second-tier subcontractor in FY2019, as compared to other corresponding years, was mainly due to the additional works requested by the respective customers of three projects that located in Ho Man Tin and Tung Chung of approximately HK\$2.1 million.

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The following table sets forth the breakdown of our gross profit and gross profit margin (being gross profit divided by revenue for a particular year as indicated) by type of services during the Track Record Period:

	FY2017		FY2018		FY2019	
	Gross profit margin <i>HK\$'000</i>	Gross profit margin %	Gross profit margin <i>HK\$'000</i>	Gross profit margin %	Gross profit margin <i>HK\$'000</i>	Gross profit margin %
MVAC systems	39,464	23.3	53,568	27.8	72,034	25.8
Electrical systems	2,718	23.4	2,635	23.1	8,013	26.3
Swimming pool, fountain and plumbing and drainage systems	<u>2,879</u>	22.4	<u>1,088</u>	15.7	<u>967</u>	31.7
Total	<u><u>45,061</u></u>	<u><u>23.3</u></u>	<u><u>57,291</u></u>	<u><u>27.2</u></u>	<u><u>81,014</u></u>	<u><u>25.9</u></u>

For FY2017, FY2018 and FY2019, our gross profit margin for MVAC systems was approximately 23.3%, 27.8% and 25.8%, respectively. The increase in gross profit margin for MVAC systems from FY2017 to FY2018 was in line with our shift of focus from acting as second-tier subcontractor to first-tier subcontractor which generally has a higher gross profit margin during the years due to the additional work scope and the fact that we generally perform most of the subcontracting works which would generally be subcontracted out to lower-tier subcontractors by other first-tier subcontractors engaging in E&M engineering services.

For FY2017, FY2018 and FY2019, our gross profit margin for electrical systems was approximately 23.4%, 23.1% and 26.3%, respectively. The overall increase in gross profit margin for electrical systems was in line with our shift of focus from acting as second-tier subcontractor to first-tier subcontractor, and generally in line with our projects of MVAC systems as we usually provide both MVAC systems and electrical systems in the same development projects.

For FY2017, FY2018 and FY2019, our gross profit margin for swimming pool, fountain and plumbing and drainage systems were approximately 22.4%, 15.7% and 31.7%, respectively. For the relatively high gross profit margin for swimming pool, fountain and plumbing and drainage systems in FY2019, as compared to other corresponding years, was due to a project that located in Clear Water Bay, which is in relation to design, supply, installation, testing and commissioning of swimming pool and water feature filtration installation.

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The following table sets forth the breakdown of our gross profit and gross profit margin (being gross profit divided by revenue for a particular year as indicated) by sector during the Track Record Period:

	FY2017		FY2018		FY2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	41,418	23.5	52,022	27.8	74,414	26.2
Non-residential	<u>3,643</u>	21.0	<u>5,269</u>	22.5	<u>6,600</u>	23.1
Total	<u>45,061</u>	<u>23.3</u>	<u>57,291</u>	<u>27.2</u>	<u>81,014</u>	<u>25.9</u>

Other income and expenses, net

Our other income and expenses primarily consisted of (i) rental income in respect of a carpark space; (ii) management fee income; (iii) construction safety supervising service income; (iv) insurance compensation for damaged works at site and staff injury; (v) interest income; (vi) imputed interest on non-current interest-free advances to a shareholder of the Company; (vii) written off of property, plant and equipment; (viii) reversal of over-provision of tax penalty in respect of prior years; (ix) interest income on payment for life insurance; and (x) others income during the Track Record Period. The following table sets forth the breakdown of our other income and expenses during the Track Record Period:

	FY2017	FY2018	FY2019
	HK\$'000	HK\$'000	HK\$'000
Rental income in respect of a carpark space	—	—	22
Management fee income	326	120	—
Construction safety supervising service income	342	—	—
Insurance compensation for damaged works at site and staff injury	71	446	—
Interest income	57	109	270
Imputed interest on non-current interest-free advances to a shareholder of the Company	3,659	—	—
Written off of property, plant and equipment	—	(94)	—
Reversal of over-provision of tax penalty in respect of prior years	—	—	1,485
Interest income on payment for life insurance	—	—	308
Others	<u>75</u>	<u>93</u>	<u>36</u>
Total	<u>4,530</u>	<u>674</u>	<u>2,121</u>

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Rental income in respect of a carpark space mainly represented income from leasing a carpark space to an Independent Third Party in August 2018. Management fee income mainly represented income from providing office equipment and other office services to our customers according to their request. Construction safety supervising service income primarily represented income derived from our customer for safety supervision under their requests. Insurance compensation for damaged works at site and staff injury was resulted from the claim for a incident of rainstorm damage to a building service part and incident of staff of our subcontractors injured in projects.

Administrative expenses

Administrative expenses mainly comprised of staff costs, travelling and transportation, professional fee, office expenses, depreciation expenses and others. The following table sets forth the breakdown of administrative expenses during the Track Record Period:

	FY2017		FY2018		FY2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff costs	8,230	64.4	8,563	59.3	9,695	65.3
Travelling and transportation	1,084	8.5	796	5.5	530	3.6
Professional fee	658	5.1	677	4.7	664	4.5
Office expenses	622	4.9	853	5.9	692	4.7
Depreciation of property, plant and equipment	161	1.3	299	2.1	218	1.5
Depreciation of right-of-use assets	860	6.7	1,894	13.1	1,631	11.0
Bank charges	200	1.6	31	0.2	101	0.7
Insurance	53	0.4	122	0.8	65	0.4
Other	909	7.1	1,210	8.4	1,254	8.3
Total	12,777	100.0	14,445	100.0	14,850	100.0

For FY2017, FY2018 and FY2019, administrative expenses represented approximately 6.6%, 6.9% and 4.7% of our revenue, respectively. Staff costs, mainly consisted of salaries, bonus, emoluments and retirement benefit scheme contributions provided to our administrative staff and executive Directors which represented approximately 64.4%, 59.3% and 65.3% of our administrative expenses for FY2017, FY2018 and FY2019, respectively. Travelling and transportation mainly represented local and overseas travelling expenses and motor vehicles expenses, such as fuel costs, parking fee, vehicle registration and licence fees. Professional fees primarily related to fees paid to legal and accounting professionals in the ordinary course of our business. Office expenses mainly represented the computers and software, stationery and utility expenses in our office. Depreciation expenses for our property, plant and equipment and right-of-use assets, which are not directly related to our projects, are recognised as administrative expenses. Others mainly represented the sponsorship to some social events, donation to certain charities and other miscellaneous expenses.

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Finance Costs

Our finance costs mainly represented interest expenses on bank borrowings and lease liabilities. The table below sets forth a breakdown of our finance costs during the Track Record Period:

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Interest on bank borrowings	—	179	562
Interest on lease liabilities	<u>53</u>	<u>91</u>	<u>66</u>
Total	<u><u>53</u></u>	<u><u>270</u></u>	<u><u>628</u></u>

Income Tax Expense

Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at a rate of 16.5% on the estimated assessable profit for the Track Record Period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profit tax rates regime will be applicable to Chit Tat for FY2019.

The income tax expense of our Group for FY2017, FY2018 and FY2019 were approximately HK\$5.5 million, HK\$7.2 million and HK\$10.9 million respectively, and our effective tax rate was approximately 14.8%, 16.6% and 19.3% respectively. Our Group’s income tax expense during the Track Record Period is set forth below:

	FY2017 <i>HK\$'000</i>	FY2018 <i>HK\$'000</i>	FY2019 <i>HK\$'000</i>
Hong Kong Profits Tax:			
Current tax	<u>5,456</u>	<u>7,181</u>	<u>10,867</u>

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The following table sets forth the reconciliation of income tax expense and tax payable as at the reporting dates indicated:

	As at 31 March			
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax payable at the beginning of the year	8,105	12,383	16,578	15,083
<i>Provision of tax for the year of tax assessment</i>	4,793	5,456	7,181	10,867
— 2015/16	884			
— 2016/17		5,456		
— 2017/18			7,181	
— 2018/19				10,867
— Prior year adjustments ¹	3,909			
<i>Hong Kong profit tax paid for tax in relation to</i>	(515)	(1,261)	(8,676)	(19,968)
— Prior year adjustments ¹				(3,380)
— 2014/15	(273)			(4,452)
— 2015/16	(242)	(626)		(3,909)
— 2016/17		(635)	(4,821)	
— 2017/18			(3,855)	(3,326)
— 2018/19				(4,901)
Tax payable at the end of the year	12,383	16,578	15,083	5,982

Note:

- The amount was primarily due to the additional tax assessment arising from the prior year adjustments made upon Chit Tat's employment of a new finance manager in June 2017 and his review of Chit Tat's accounting records of the past years.

Additional tax assessment

Prior to the Track Record Period, Chit Tat's statutory financial statements were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by HKICPA. Those statutory financial statements were audited by the respective statutory auditor who expressed unqualified audit opinion on each of the statutory financial statements concerned.

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Upon the employment of a new finance manager, a certified public accountant, in June 2017 and his review of our accounting records of the past years, it has brought to our notice that certain accounting standards had not been strictly applied appropriately in our accounts. In particular, the revenue generated from the provision of E&M engineering services had not fully been recognised by reference to the stage of completion in accordance with the relevant Hong Kong Accounting Standard. As such, in order to rectify prior year's accounts, we have engaged a new statutory auditor to review all the accounting records and make necessary accounting adjustments (the “**Prior Year Adjustments**”) through the retained earnings as at 1 April 2016. We have also engaged a new tax representative in November 2017 to prepare the relevant revised profits tax computation and liaise with the Inland Revenue Department of Hong Kong (the “**IRD**”). IRD subsequently issued additional tax assessment in May 2018 and March 2019 to us and no tax penalty was imposed. The additional assessable profit was approximately HK\$71.2 million and HK\$8.1 million and the additional tax expense was approximately HK\$11.7 million and HK\$1.3 million, respectively. We have fully settled the amount in relation to the additional tax assessment by June 2018 and April 2019, and the IRD has confirmed in writing that there is no record of non-compliance on profits tax matters under the Inland Revenue Ordinance since the date of incorporation to 3 April 2019.

The following tables show the Prior Year Adjustments made:

		Year of assessment	Year of assessment	Year of assessment	Year of assessment	Year of assessment	Year of assessment
	<i>Notes</i>	2010/11 <i>HK\$'000</i>	2011/12 <i>HK\$'000</i>	2012/13 <i>HK\$'000</i>	2013/14 <i>HK\$'000</i>	2014/15 <i>HK\$'000</i>	2015/16 <i>HK\$'000</i>
— Revenue adjustment due to the Customer B On-behalf Payment	4	8,256	4,884	7,184	7,281	13,500	15,268
— Revenue adjustment from cash basis accounting to appropriate accounting treatment in accordance with HKFRS according to the stage of completion	5	—	—	—	—	9,915	9,862
— Cost of service adjustment mainly due to cut-off error arising from cash basis accounting adopted previously	6	(1,654)	(3,341)	231	5,866	3,611	1,465
— Administrative expense adjustment due to cut-off error based on the date of occurrence, on accruals basis		—	—	—	—	—	(2,841)
— Adjustment on hire purchase finance cost due to cut-off error based on the date of occurrence, on accruals basis		—	(17)	(10)	(6)	2	19
— Adjustment on depreciation tax allowance of finance leases		—	7	2	(64)	(46)	(84)
Total adjustments		<u>6,601</u>	<u>1,534</u>	<u>7,407</u>	<u>13,078</u>	<u>26,983</u>	<u>23,689</u>

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Notes:

1. Figures above may not add up to exact total due to rounding.
2. Year of assessment 2010/11 was time-barred when Chit Tat submitted its revised profits tax computations.
3. No additional tax assessment for 2011/12 was issued by the IRD as the year of assessment of 2011/12 was time-barred when the IRD issued the revised tax assessments in May 2018. The IRD considered the prior year adjustments for 2010/11 and 2011/12 should be adjusted in 2012/13 and issued additional tax assessment 2012/13 in March 2019 with additional tax amount of approximately HK\$1.3 million in respect of the prior year adjustments for 2010/11 and 2011/12, which was paid in April 2019.
4. Customer B generally paid certain direct labour cost, incurred by Chit Tat in relation to projects worked for Customer B, on behalf of Chit Tat (the “**Customer B On-Behalf Payment**”) and deducted correlating amount in the subsequent payment certificate to Chit Tat in most of their cooperated projects during the adjustment periods, thus the Customer B On-Behalf Payment is a non-cash item in Chit Tat’s records. Prior to 2017, Chit Tat had relied on an external accounting firm (the “**YK**”), to prepare the management accounts based on the accounting and management schedules prepared by Chit Tat. These schedules have recorded the details of the Customer B On-Behalf Payment. As the management accounts and the audited accounts were prepared on cash basis accounting, the Customer B On-Behalf Payment was not recorded as revenue in the management accounts by YK and audited accounts by respective statutory auditor. However, such direct labour costs incurred by Chit Tat have been appropriately recorded based on tax employer return form IR56B by YK in management accounts and respective statutory auditor in the audited accounts. Accordingly, prior years adjustments were made to restate the Customer B On-Behalf Payment as revenue in the relevant years.
5. As the management accounts compiled by YK and the audited accounts prepared by respective statutory auditor were prepared on cash basis, certain revenue was recorded upon cash receipts, rather than based on “input method” according to the stage of completion in accordance with HKFRSs. Accordingly, prior years adjustments were made to adjust the revenue based on “input method” according to the stage of completion in accordance with HKFRSs.
6. As the management accounts compiled by YK and the audited accounts prepared by respective statutory auditor were prepared on cash basis, certain cost of services were recorded upon cash payments, rather than on accrual basis in accordance with HKFRSs. Accordingly, prior years adjustments were made to adjust these expenses cutoff errors based on the date of occurrence in accordance with HKFRSs. During the adjustment periods, as Chit Tat relied on YK to prepare their management accounts by cash basis accounting and the relevant cost of services were not recorded on a consistent basis in line with the appropriate accounting standards which led to a cut-off error of the cost of services. To put through the relevant accounting adjustment comprehensively and properly, the Chit Tat has revisited all the material and relevant cost of services items’ record, including the purchase schedules, payment records and invoices of cost of material, relevant statement and payment record of the subcontracting charges, and payroll record of the relevant direct labour to ensure the adjustment amount.

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Based on the fact that (i) the Company had already made voluntary and full disclosure of the Prior Year Adjustments to IRD; (ii) no tax field audit or investigation is currently underway; and (iii) IRD confirmed in its letter dated 3 April 2019 that Chit Tat had no record of non-compliance on profits tax matters since its incorporation to the issue date of the letter, our Tax Adviser considers that the chance for IRD to invoke penalty provisions against Chit Tat, its directors or shareholders in respect of the Prior Year Adjustments is remote.

In order to prevent the reoccurrence of similar incidents, in addition to the review by the new finance manager, we have adopted the following measures:

- (i) employed Mr. Chan Tak Sun Sammy on 24 September 2018 as our Group's Chief Financial Officer to oversee our accounting and financial reporting functions and to ensure the adoption of appropriate accounting standards and policies (Please refer to section headed "Directors and senior management — Senior management" for the detailed background and qualifications of Mr. Chan Tak Sun Sammy);
- (ii) Mr. Chan Tak Sun Sammy will review the monthly management accounts prepared by the accounting team and supervise the preparation of financial statements of our Group to ensure they are prepared in accordance with the applicable HKFRSs, which will be reviewed and approved by our Board;
- (iii) Mr. Chan Tak Sun Sammy will be primarily responsible for reviewing the filing of tax returns to the IRD;
- (iv) our Tax Adviser will be consulted to ensure the compliance with relevant tax related regulations and requirements, if necessary;
- (v) will engage an internationally recognised accounting firm for auditing the consolidated financial statements of our Group going forward; and
- (vi) will establish an audit committee upon Listing, of which the chairman will be an independent non-executive Director with experience and competence in the accounting and financial areas and one of the primary roles is to review the effectiveness of the internal audit activities, internal controls and risk management systems.

Our Internal Control Consultant, an Independent Third Party, has reviewed the relevant internal control policy and is satisfied that our Group has adequate and effective control measures to ensure ongoing compliance with the financial reporting standards, tax reporting and filing and other relevant rules and regulations.

Having considered (i) the nature of the tax incident and the rectifications and remedial actions taken; (ii) the basis of the views of the Tax Adviser; and (iii) the views of the Internal Control Consultant that we adopted and implemented the adequate and effective internal control policies and measures, our Directors are of the view that the tax incident

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will not affect the suitability of our executive Director to act as directors of our Company under Rules 3.08 and 3.09 of the Listing Rules, nor our Company's suitability of listing under Rule 8.04 of the Listing Rules.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 March 2019 compared to year ended 31 March 2018

Revenue

Our revenue increased from approximately HK\$210.8 million for FY2018 to approximately HK\$312.7 million for FY2019, representing an increase of approximately HK\$101.9 million or 48.4%. Such significant increase mainly resulted from (i) the increase in number of projects with revenue contribution of over HK\$5.0 million from 11 for FY2018 to 14 for FY2019; (ii) the increase in the average project revenue on year-on-year basis from HK\$3.0 million for FY2018 to approximately HK\$4.5 million for FY2019; (iii) the increase in the number of projects from 34 projects for FY2018 to 43 projects for FY2019; and (iv) the significant milestone progress of three projects, which involved relatively less work performed in FY2018, in Sha Tin, Tseung Kwan O and Tuen Mun in FY2019. For the project located in Sha Tin, it was related to installation of (i) MVAC systems; and (ii) electrical systems and the revenue recognised from which was increased by approximately HK\$47.5 million from approximately HK\$11.1 million in FY2018 to approximately HK\$58.6 million in FY2019. For the two projects located in Tseung Kwan O and Tuen Mun, they were related to installation of MVAC systems and the revenue in aggregate from which were increased by approximately HK\$59.8 million from approximately HK\$23.5 million in FY2018 to approximately HK\$83.3 million in FY2019.

Cost of services

Our cost of services increased from approximately HK\$153.5 million for FY2018 to approximately HK\$231.7 million for FY2019, representing an increase of approximately HK\$78.2 million or approximately 50.9%. Such increase was due to the combined effect of the (i) increase in subcontracting fees of approximately HK\$41.5 million or 81.9% due to the increase in use of subcontractors arising from the increased number of projects we worked on in FY2019; (ii) increase in cost of material of approximately HK\$24.4 million or 42.1%; and (iii) increase in direct labour costs of approximately HK\$11.7 million or 30.1%, which were in line with our significant increase in revenue as mentioned in above paragraph.

Gross profit and gross profit margin

Our gross profit increased from approximately HK\$57.3 million for FY2018 to approximately HK\$81.0 million for FY2019, representing an increase of approximately HK\$23.7 million or approximately 41.4%. Such increase was in line with the significant increase in revenue as mentioned in above paragraph. However, our gross profit margin decreased from approximately 27.2% for FY2018 to approximately 25.9% for FY2019.

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Such decrease was mainly due to the recognition of a claim of extension of time of approximately HK\$6.0 million which was finally awarded and recognised as revenue after a lengthy negotiation with the customers in FY2018 but absent in FY2019.

Our gross profit for projects we worked on as first-tier subcontractor increased from approximately HK\$47.9 million for FY2018 to approximately HK\$73.1 million for FY2019, representing an increase of approximately HK\$25.2 million or approximately 52.6%. Such increase was in line with our shift of focus to act as first-tier subcontractor. Yet, the gross profit margin decreased from approximately 29.2% for FY2018 to 26.0% for FY2019. Such decrease was mainly due to the lack of a project located in Clear Water Bay and with higher gross profit margin in FY2018. For further details of the project, please refer to the paragraph headed “Review of historical results of operations — Year ended 31 March 2018 compared to year ended 31 March 2017 — Gross profit and gross profit margin” in this section.

Our gross profit for projects we worked on as second-tier subcontractor decreased from approximately HK\$9.4 million for FY2018 to approximately HK\$7.9 million for FY2019, representing a decrease of approximately HK\$1.5 million or approximately 15.8%. Such decrease was primarily due to the decrease in the number of projects we worked on as second-tier subcontractor. The gross profit margin increased from approximately 20.0% for FY2018 to 25.2% for FY2019. Such increase was mainly due to the additional works requested by the respective customers of three projects, which located in Ho Man Tin and Tung Chung, of approximately HK\$2.1 million.

Other income and expenses, net

Other income and expenses increased from approximately HK\$674,000 for FY2018 to approximately HK\$2.1 million for FY2019, representing an increase of approximately HK\$1.4 million or approximately 214.7%. Such increase was mainly due to reversal of the over-provision of tax penalty in respect of prior years of approximately HK\$1.5 million.

Administrative expenses

Our administrative expenses remained stable at approximately HK\$14.4 million for FY2018 and approximately HK\$14.9 million for FY2019.

Finance costs

Finance costs, which principally represented our interest expenses on bank borrowings and lease liabilities, increased from approximately HK\$270,000 for FY2018 to approximately HK\$628,000 for FY2019, representing an increase of approximately HK\$358,000 or 132.6%. Such increase was primarily due to the penalty of approximately HK\$189,000 as we repaid our bank borrowings in order to release certain pledge properties earlier, and the full-year effect of interest expenses on bank borrowings which were started on July 2017.

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Income tax expense

Our income tax expense increased from approximately HK\$7.2 million for FY2018 to approximately HK\$10.9 million for FY2019, representing an increase of approximately HK\$3.7 million or 51.3%. Our effective tax rate (being income tax expense divided by profit before taxation for the year as indicated) increased from approximately 16.6% for FY2018 to approximately 19.3% for FY2019 which was mainly attributable to the non-deductible Listing expenses charged to our consolidated statements of profit or loss and other comprehensive income for FY2019.

Profit for the year and net profit margin

As a result of the foregoing, our net profit for FY2019 increased by approximately HK\$9.3 million or 25.9% from approximately HK\$36.1 million for FY2018 to approximately HK\$45.4 million for FY2019. However, our net profit margin decreased from approximately 17.1% for FY2018 to approximately 14.5% for FY2019, mainly due to the Listing expenses of approximately HK\$11.4 million in FY2019. Our adjusted net profit margin (excluding the Listing expenses) remained relatively stable at approximately 17.1% and 18.2% for FY2018 and FY2019, respectively.

Year ended 31 March 2018 compared to year ended 31 March 2017

Revenue

Our revenue increased from approximately HK\$193.6 million for FY2017 to approximately HK\$210.8 million for FY2018, representing an increase of approximately HK\$17.2 million or 8.9%. Such increase mainly resulted from (i) the increase in the average project revenue on a year-on-year basis from approximately HK\$2.6 million for FY2017 to approximately HK\$3.0 million for FY2018; and (ii) the increase in the revenue from project with revenue contribution of over HK\$2.0 million by approximately HK\$12.9 million from approximately HK\$174.8 million for FY2017 to approximately HK\$187.7 million for FY2018, as there were nine new projects commencing in FY2018 for revenue contribution of over HK\$2.0 million.

Cost of services

Our cost of services increased from approximately HK\$148.6 million for FY2017 to approximately HK\$153.5 million for FY2018, representing an increase of approximately HK\$4.9 million or approximately 3.3%. Such increase was due to the combined effect of the (i) increase in subcontracting fees of approximately HK\$3.2 million or 6.8% and increase in direct labour costs of approximately HK\$2.0 million or 5.5%, which were generally in line with the increase in revenue; and (ii) increase in other of approximately HK\$4.3 million or 265.2%, netting off by the decrease in cost of materials of approximately HK\$4.6 million or 7.4% due to the completion of most milestone works of a project in Clear Water Bay which involved significant amount of air conditioners as equipment in FY2017.

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Gross profit and gross profit margin

Our gross profit increased from approximately HK\$45.1 million for FY2017 to approximately HK\$57.3 million for FY2018, representing an increase of approximately HK\$12.2 million or approximately 27.1%. Our gross profit margin increased from approximately 23.3% for FY2017 to approximately 27.2% for FY2018. Such increase mainly resulted from (i) the increase in projects we worked on as first-tier subcontractor which generally has a higher gross profit margin than those acting as second-tier subcontractor in FY2018; and (ii) the increase of gross profit margin in a project located in Clear Water Bay. The high gross profit margin was mainly due to the recognition of a claim of extension of time of approximately HK\$6.0 million recognised which was finally awarded and recognised as revenue after a lengthy negotiation with the customers in FY2018. The relevant project had extended for approximately 20 months after its scheduled completion date due to the delay in the early stage of the project. We recognise the extension of time only when the respective customer agrees to pay the claim under uncertain situation based on historical experience prior enter into an agreement and after a lengthy discussion between the customer and us. In this respect, we recognised a revenue in FY2018, but its costs were recorded in previous years. Accordingly, the profit margin of this project increased from approximately 24.2% in FY2017 to approximately 62.2% in FY2018. As such, there was an increase in the overall gross profit margin. Also, as advised by our Directors, when we act as first-tier subcontractor generally has a higher gross profit margin when compared to when we act as a second-tier subcontractor mainly due to the additional work scope and the fact that we generally perform most of the subcontracting works which would generally be subcontracted out to lower-tier subcontractors by other first-tier subcontractors engaging in E&M engineering services.

Our gross profit for projects we worked on as first-tier subcontractor increased from approximately HK\$35.3 million for FY2017 to approximately HK\$47.9 million for FY2018, representing an increase of approximately HK\$12.6 million or approximately 35.7%. Such increase was primarily due to the increase in number of projects we worked on as first-tier subcontractor as we have been shifted our focus to be a first-tier subcontractor. The gross profit margin increased from approximately 24.2% for FY2017 to 29.2% for FY2018. Such increase was mainly due to the higher gross profit margin of a project, which located in Clear Water Bay in FY2018, as mentioned in above paragraph.

Our gross profit for projects we worked on as second-tier subcontractor remained relatively stable at approximately HK\$9.7 million and HK\$9.4 million for FY2017 and FY2018, respectively. Also, the gross profit margin remained relatively stable at approximately 20.5% and 20.0% for FY2017 and FY2018, respectively.

Other income and expenses, net

Our other income decreased significantly from approximately HK\$4.5 million for FY2017 to approximately HK\$674,000 for FY2018 was mainly due to the absence of imputed interest on non-current interest-free advances to a shareholder of approximately HK\$3.7 million for FY2018, which occurred in FY2017.

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Administrative expenses

Our administrative expenses increased from approximately HK\$12.8 million for FY2017 to approximately HK\$14.4 million for FY2018, representing an increase of approximately HK\$1.7 million or approximately 13.1%. Such increase mainly resulted from (i) the increase in depreciation of right-of-use assets of approximately HK\$1.0 million as we rented new premises for our ordinary course of business; (ii) the increase in staff costs of approximately HK\$333,000, in line with the positive difference in our headcount as at 31 March 2018; and (iii) the increase in office expenses of approximately HK\$231,000 due to the purchase of computers and software during the year.

Finance costs

Our finance costs increased from approximately HK\$53,000 for FY2017 to approximately HK\$270,000 for FY2018, representing an increase of approximately HK\$217,000 or approximately 409.4%. Such increase was primarily due to the increase in bank borrowings from approximately nil as at 31 March 2017 to approximately HK\$9.8 million as at 31 March 2018.

Income tax expense

Our income tax expense increased from approximately HK\$5.5 million for FY2017 to approximately HK\$7.2 million for FY2018, representing an increase of approximately HK\$1.7 million or 31.6%. Such increase was in line with the increase in profit before taxation for the corresponding year. Our effective tax rate increased from approximately 14.8% for FY2017 to approximately 16.6% for FY2018. Such increase was mainly the absenced of non-taxable of imputed interest income on non-current interest-free advances to a shareholder which occurred in FY2017.

Profit for the year and net profit margin

As a result of the foregoing, our net profit for FY2018 was approximately HK\$36.1 million for FY2018, representing an increase of approximately HK\$4.8 million or 15.2% as compared to FY2017. Our net profit margin also increased from approximately 16.2% for FY2017 to approximately 17.1% for FY2018. Such increase was mainly due to the combined effect of (i) increase in gross profit of approximately HK\$12.2 million; (ii) decrease in other income and expenses, net of HK\$3.9 million; and (iii) increase in administrative expense of approximately HK\$1.7 million.

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NET CURRENT ASSETS

	As at 31 March			As at
	2017	2018	2019	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Current assets				
Trade and other receivables, deposits and prepayments	12,541	19,870	35,211	74,452
Contract assets	44,722	76,246	67,842	88,707
Advances to a shareholder of the Company	76,836	—	—	—
Pledged bank balances	6,275	—	—	—
Bank balances and cash	<u>42,905</u>	<u>43,077</u>	<u>34,850</u>	<u>33,803</u>
	<u>183,279</u>	<u>139,193</u>	<u>137,903</u>	<u>196,962</u>
Current liabilities				
Trade, retention and bills payables and accruals	21,527	37,301	34,126	43,530
Amount due to a shareholder of the Company	—	9,876	—	—
Contract liabilities	31,051	23,798	692	1,290
Tax payable	16,578	15,083	5,982	10,232
Bank borrowings	—	9,779	1,459	16,155
Lease liabilities	<u>1,687</u>	<u>1,698</u>	<u>958</u>	<u>1,350</u>
	<u>70,843</u>	<u>97,535</u>	<u>43,217</u>	<u>72,557</u>
Net current assets	<u>112,436</u>	<u>41,658</u>	<u>94,686</u>	<u>124,405</u>

As at 31 July 2019, being the latest practicable date for determining our Group's indebtedness, we had net current assets of approximately HK\$124.4 million. The key components of our current assets as at 31 July 2019 included trade and other receivables, deposits and prepayments of approximately HK\$74.5 million, contract assets of approximately HK\$88.7 million and bank balances and cash of approximately HK\$33.8 million. The key components of our current liabilities included trade, retention and bills payables and accruals of approximately HK\$43.5 million, contract liabilities of approximately HK\$1.3 million, tax payable of approximately HK\$10.2 million, bank borrowings of approximately HK\$16.2 million and lease liabilities of approximately HK\$1.4 million. The increase in net current asset of approximately HK\$29.7 million or 31.4% as compared to that as at 31 March 2019 was mainly due to the increase in trade and other receivable deposits of approximately HK\$39.2 million and the increase in contract assets of approximately HK\$20.9 million, which was partially offset by the increase in trade, retention and bills payables and accruals of approximately HK\$9.4 million, increase in bank borrowings of approximately HK\$14.7 million and the increase in tax payable of approximately HK\$4.3 million.

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Our net current assets increased by approximately HK\$53.0 million from approximately HK\$41.7 million as at 31 March 2018 to approximately HK\$94.7 million as at 31 March 2019. The significant increase was mainly attributable to the effect of (i) increase in trade and other receivables, deposits and prepayments of approximately HK\$15.3 million as a result of increase in certification of works and volume of our projects; (ii) decrease in contract assets of approximately HK\$8.4 million; (iii) decrease in bank balances and cash of approximately HK\$8.2 million; (iv) decrease in trade, retention and bills payables and accruals of approximately HK\$3.2 million; (v) decrease in amount due to a shareholder of our Company of approximately HK\$9.9 million as the dividend was waived in March 2019; (vi) decrease in contract liabilities of approximately HK\$23.1 million; (vii) decrease in tax payable of HK\$9.1 million due to payment of income tax; and (viii) decrease in bank borrowings of approximately HK\$8.3 million. For the details of fluctuation of the above items, please refer to the paragraph headed “Description of selected items of the consolidated statements of financial position” in this section.

Our net current assets decreased by approximately HK\$70.8 million from approximately HK\$112.4 million as at 31 March 2017 to approximately HK\$41.6 million as at 31 March 2018. The significant decrease was mainly due to the settlement in advances to a shareholder of our Company of approximately HK\$76.8 million by dividend payable. For the details of fluctuation of the above item, please refer to the paragraph headed “Description of selected items of the consolidated statements of financial position” in this section.

DESCRIPTION OF SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment as at 31 March 2019 mainly consist of (i) carpark space of carrying values of approximately HK\$2.3 million; and (ii) furniture, fixtures and equipment of carrying values of approximately HK\$0.8 million.

Payments for life insurance

Our payment for life insurance represented the premium of approximately HK\$6.5 million paid for a life insurance policy to insure Ms. Cheung, our Director in November 2017. Under the insurance policy, the beneficiary and policy holder is our Group. Our Directors confirm that there is no intention to terminate the insurance policy within twelve months after the end of reporting periods and, therefore, the amount is classified as non-current assets as at 31 March 2019. Please refer to the note 15 of the Accountants’ Report in Appendix I to this prospectus for more details.

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Trade and other receivables, deposits and prepayments

The following table sets out the breakdown of trade and other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	12,293	19,304	29,418
Rental deposits	121	167	219
Other receivables	85	13	4
Prepayments for purchase of materials and subcontracting fee	—	8	731
Prepaid expenses	—	242	1,262
Prepaid listing expenses and issue costs	—	—	203
Deferred issued costs	—	—	3,340
Utility and other deposits	42	136	34
	<u>12,541</u>	<u>19,870</u>	<u>35,211</u>

Trade receivables

Our trade receivables principally represented receivables from our customers arising from the provision of E&M engineering services in Hong Kong after the deduction of retention money for which works have been certified by our customers before the end of reporting period and still pending for the payment. As our business operates on a project-by-project basis, the credit terms that granted to our customers may vary from project to project. During the Track Record Period, we generally granted our customers credit period of 7 days to 90 days.

As at 31 March 2017, 2018 and 2019, our trade receivables amounted to approximately HK\$12.3 million, HK\$19.3 million and HK\$29.4 million, respectively. The increases in trade receivables from approximately HK\$12.3 million as at 31 March 2017 to approximately HK\$19.3 million as at 31 March 2018 were primarily due to the increase in settlement cycle from our customers. Such increase was mainly attributable to our increased projects which we acted as a first-tier subcontractor and the relevant customers were relatively large-scale contractors who may need to carry out a longer internal and formal approval process to settle our invoice. Our trade receivables further increased to approximately HK\$29.4 million as at 31 March 2019 was mainly due to (i) the increase in certification of works in last two months of FY2019 as compared to that of FY2018; and (ii) increase in number of our projects on hand from 34 projects as at 31 March 2018 to 43 projects as at 31 March 2019.

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Our Group adopted HKAS 39 for FY2017 and FY2018 and based on which our Directors estimates the recoverability of our trade receivables and contract assets based on objective evidence. When there is objective evidence of impairment loss, we take into consideration of the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Upon adoption of HKFRS 9 on 1 April 2018, our Directors estimates the amount of impairment loss for expected credit loss on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on expected credit loss model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Our Directors confirm that there was no significant impact on the financial position and performance of our Group upon adoption of HKFRS 9 as compared to the requirements of HKAS 39. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise. During the Track Record Period, we did not make any allowance of trade receivable respectively.

The following table sets out the ageing analysis of our trade receivables, based on the date of work certified, that approximate to the invoice date as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	12,293	19,304	21,672
31 to 90 days	—	—	7,746
	<u>12,293</u>	<u>19,304</u>	<u>29,418</u>

Up to the Latest Practicable Date, approximately HK\$28 million or approximately 95% of our trade receivables as at 31 March 2019 had been subsequently settled.

Our Group closely reviews our trade receivables on a regular basis and assesses the impairment on an individual basis. We estimated the impairment loss based on the internal credit rating. As at 31 March 2017, 2018 and 2019, our trade receivables balances were not yet past due. Therefore, we did not make any impairment loss as at the corresponding years. Based on our experience with our customers, as at the Latest Practicable Date, our Directors are of the view that no impairment allowance is necessary in respect of the trade receivable balances as there has not been a significant change in the customers' credit quality and the balances are fully recoverable.

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The following table sets out our trade receivable turnover days during the Track Record Period:

	FY2017	FY2018	FY2019
Trade receivable turnover days ¹	14.9 days	27.4 days	28.4 days
Trade receivable turnover days (comprising of contract assets which include retention receivables) ²	127.9 days	151.0 days	119.2 days

Notes:

1. Trade receivable turnover days are calculated by dividing average trade receivables by revenue for the relevant year, and multiplying the resulting value by 365 days for FY2017, FY2018 and FY2019. Average trade receivables equal to the sum of trade receivables at the beginning of the year plus trade receivables at the end of the year, and divided by two.
2. For illustration purpose, trade receivable turnover days (comprising of contract assets which include retention receivables) are calculated by dividing the sum of average trade receivables and contract assets (as per note 18 of Appendix I to this prospectus) by revenue for the relevant year, and multiplying the resulting value by 365 days for FY2017, FY2018 and FY2019. Average trade receivables and contract assets (as per note 18 of Appendix I to this prospectus) equal to the sum of trade receivables and contract assets (as per note 18 of Appendix I to this prospectus) at the beginning of the year plus trade receivables and contract assets (as per note 18 of Appendix I to this prospectus) at the end of the year, and divided by two.

Trade receivable turnover days indicate the average time required for us to collect payments from our customers. Our average trade receivable turnover days were approximately 14.9 days, 27.4 days and 28.4 days for FY2017, FY2018 and FY2019, respectively. The increases in our average trade receivable turnover days from approximately 14.9 days for FY2017 to approximately 27.4 days for FY2018 was mainly attributable to the longer settlement cycle by our customers as we increasingly acted as a first-tier subcontractor and the relevant customers were relatively large-scale contractors who may need to carry out a longer internal and formal approval process to settle our invoice. Our average trade receivable turnover days then remained relatively stable at 27.4 days and 28.4 days for FY2018 and FY2019, respectively. We generally granted 30 days to our customers when we were acting as a second-tier subcontractor; while we granted no more than 90 days to our customers when we were acting as a first-tier subcontractor. For further details of our credit management, please refer to the paragraph headed “Business — Customers — Credit management and collection of our trade receivables and retention receivables” in this section. Our trade receivables turnover days for each period during the Track Record Period were within the range of credit period that we granted to our customers.

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Trade receivable turnover days (comprising of contract assets which include retention receivables) indicate the average time required for us to collect payments from our customers and to receive our retention money from cost occurrence. Our average trade receivable turnover days (comprising of contract assets which include retention receivables) were approximately 127.9 days, 151.0 days and 119.2 days for FY2017, FY2018 and FY2019, respectively. The increase in our average trade receivable turnover days (comprising of contract assets which include retention receivables) from approximately 127.9 days for FY2017 to approximately 151.0 days for FY2018 was mainly attributable to the increase in contract assets mainly resulting from the significant milestone progress of three projects towards the end of FY2018, which were located in Kai Tak, Tseung Kwan O and Fanling (in relation to Customer G, Customer H and Customer I), respectively. The decrease in our average trade receivable turnover days (comprising of contract assets which include retention receivables) from approximately 151.0 days for FY2018 to approximately 119.2 days for FY2019 was mainly due to the decrease in contract assets mainly resulting from the relatively larger amount of contract assets certified by our customers in FY2019. For further details of our contract assets, please refer to the paragraph headed “Contract assets/liabilities” in this section.

The relatively longer trade receivable turnover days (comprising of contract assets which include retention receivables) is also partly attributable to the retention receivables which are normally released to us in two tranches, in which 50% of the retention money will be released upon issuance of practical completion certificates and the remaining 50% will be released upon expiry of the defects liability period set out in the relevant contracts.

Other receivables

Our other receivables primarily represented amount due from insurance company for the insurance claim and the advances to staff. Our other receivables amounted to approximately HK\$85,000, HK\$13,000 and HK\$4,000, respectively, as at 31 March 2017, 2018 and 2019, respectively.

Prepayments for purchase of materials and subcontracting fee

The following table sets out a summary of our prepayments for purchase of materials and subcontracting fee as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments:			
Purchase of materials	—	—	731
Subcontracting fee	—	8	—
	<hr/>	<hr/>	<hr/>
Total	<hr/> — <hr/>	<hr/> 8 <hr/>	<hr/> 731 <hr/>

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Prepayment for purchase of materials was attributable to the deposit paid for purchasing of air conditioners. As at 31 March 2017, 2018 and 2019, our prepayment for purchase of materials amounted to approximately nil, nil and HK\$731,000, respectively.

Prepayment for subcontracting fee was attributable to a one-off event of an advance payment to one of our subcontractors. As at 31 March 2017, 2018 and 2019, our prepayment for subcontracting fee amounted to approximately nil, HK\$8,000 and nil, respectively.

Prepaid expenses

Our prepaid expenses primarily represented the prepayment of insurances for our staff who worked on-site in some projects and other miscellaneous prepayments. As at 31 March 2017, 2018 and 2019, our prepaid expenses amounted to approximately nil, HK\$242,000 and HK\$1.3 million, respectively. The higher balance of approximately HK\$1.3 million as at 31 March 2019, as compared to other years comprising the Track Record Period, was mainly due to the increase in our customers' request on buying the insurance. For further details, please refer to the paragraph headed "Business — Insurance" in this prospectus.

Prepaid listing expenses and issue costs

Prepaid listing expenses and issue costs primarily represented our prepayment of listing expenses. As at 31 March 2017, 2018 and 2019, prepaid listing expenses and issue costs amounted to approximately nil, nil and HK\$203,000, respectively.

Deferred issued costs

Deferred issued costs primarily represented the listing expense incurred by our Group that are to be capitalised upon the Listing. As at 31 March 2017, 2018 and 2019, deferred listing expenses amounted to approximately nil, nil and HK\$3.3 million, respectively.

Contract assets/liabilities

Contract assets primarily represented our rights to considerations from customers for our provision of E&M engineering services, which arise when (i) our Group completed the relevant services under such contracts but not yet be certified by architects, surveyors or other representatives appointed by customers; and (ii) the customers withhold certain certified amounts payable to our Group as retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

During the Track Record Period, our customers usually withheld 5% to 10% of each interim payment as retention money. The terms and conditions in relation to the release of retention money also vary from project to project. Retention money are normally released to us in two tranches, in which 50% of the retention money will be released upon issuance of practical completion certificates and the remaining 50% will be released upon expiry of the defects liability period set out in the relevant contracts.

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The following table sets out the retention receivables to be settled, as at the date indicated:

	As at 1 April 2016	As at 31 March		
	2016	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	500	694	11,631	9,268
After one year	<u>17,152</u>	<u>28,860</u>	<u>20,748</u>	<u>28,488</u>
	<u><u>17,652</u></u>	<u><u>27,554</u></u>	<u><u>32,379</u></u>	<u><u>37,756</u></u>

As at 31 March 2017, 2018 and 2019, our contract assets amounted to approximately HK\$58.2 million, HK\$84.6 million and HK\$70.9 million, respectively. The amount of contract asset varied and was affected by the size of contract works that E&M engineering services we performed were completed but not yet certified at the end of each reporting period and the retention receivables as a result of the number of ongoing and completed contracts under the defects liability period during the respective years.

Our Group assesses impairment on an individual basis with reference to the internal credit rating. As at 31 March 2017, 2018 and 2019, we did not make any impairment loss as at the corresponding years. Based on our experience with our customers and the available forward-looking information, as at the Latest Practicable Date, our Directors are of the view that no impairment allowance is necessary in respect of the contract assets balances as there has not been a significant change in credit quality.

As at Latest Practicable Date, contract assets (excluding retention receivables) as of 31 March 2019 which had subsequently been certified by our customers amounted up to approximately HK\$30.2 million or approximately 91%.

Contract liabilities primarily represented our obligation to transfer E&M engineering services to customers for which we have received advance payments from the customers. As at 31 March 2017, 2018 and 2019, our contract liabilities amounted to approximately HK\$44.5 million, HK\$32.1 million and HK\$3.8 million, respectively.

Contract liabilities as at 1 April 2016 and 2017 have been recognised as revenue for FY2017 and FY2018, respectively, and approximately HK\$30.6 million of contract liabilities as at 31 March 2018 has been recognised as revenue for FY2019. The remaining contract liabilities as at 31 March 2018 and the contract liabilities as at 31 March 2019 will be recognised as revenue for coming financial year.

Included in the carrying amounts of contract assets were contract assets (including retention receivables) aggregating to HK\$13.5 million, HK\$8.3 million and HK\$3.1 million as at 31 March 2017 and 2018 and 2019, respectively, which are related to the same contract of contract liabilities and are accounted for and presented on a net basis on the consolidated statements of financial position.

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Advances to a shareholder/amount due to a shareholder

The following table sets out our advances to a shareholder/amount due to a shareholder (both current and non-current portion) as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advances/(amount due) to a shareholder	<u>76,836</u>	<u>(9,876)</u>	<u>—</u>

Our advances to a shareholder mainly represented advances to Mr. Ko, our executive Director and shareholder. The amounts were non-trade in nature, unsecured, interest-free and repayable on demand. The advances to a shareholder was settled by the means of interim dividend in March 2018.

Our amount due to a shareholder as at 31 March 2018 mainly represented the dividend payable to a shareholder. The amount was non-trade in nature, unsecured, interest-free and repayable on demand. The relevant dividend was waived in March 2019.

Trade, retention and bill payables and accruals

The table below sets out the breakdown of our trade, retention and bill payables and accruals as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,523	20,523	17,646
Bills payables	—	1,660	—
Retention payables	4,106	4,924	5,821
Accrued issue costs	—	—	1,750
Accrual	<u>10,898</u>	<u>10,194</u>	<u>8,909</u>
	<u>21,527</u>	<u>37,301</u>	<u>34,126</u>

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Trade and bills payables

Trade payables primarily represented payables to our subcontractors and suppliers for the works performed and materials supplied by them for our projects after the deduction of retention money. As at 31 March 2017, 2018 and 2019, our trade payables amounted to approximately HK\$6.5 million, HK\$20.5 million and HK\$17.6 million, respectively. The increase in trade payables from 31 March 2017 to 31 March 2018 was mainly due to the increase in the use of subcontractors and the purchase of material at the end of FY2018 in relation to five projects located in Tai Kok Tsui, Shatin, Tseung Kwan O, Clear Water Bay and Kai Tak. The decrease in trade payables from 31 March 2018 to 31 March 2019 was mainly due to the early settlement of our payables to our subcontractors.

Our bills payables primarily represent payables for materials for engineering services under the letter of credit issued under bank facilities granted to our Group. As at 31 March 2017, 2018 and 2019, our bills payables amounted to approximately nil, HK\$1.7 million and nil, respectively. The bills payables as at 31 March 2018 was mainly due to a one-off event of a supplier's request for letter of credit.

The following table sets out our trade and bills payables turnover days for the dates indicated:

	FY2017	FY2018	FY2019
Trade and bills payables turnover days	22.5 days	48.1 days	41.6 days

Note:

Trade and bills payables turnover days are calculated by dividing average trade and bills payable by cost of materials and subcontracting fees of the relevant year, multiplying the resulting value by 365 days for FY2017, FY2018 and FY2019. Average trade and bills payables equal trade payables at the beginning of the year plus trade and bills payables at the end of the year, divided by two.

Credit terms granted to us by our suppliers and subcontractors vary from project to project. During the Track Record Period, our suppliers and subcontractors generally granted us a credit period within 60 days. Our average trade and bills payable turnover days were approximately 22.5 days, 48.1 days and 41.6 days, respectively, as at 31 March 2017, 2018 and 2019. The increasing trend of average trade and bills payable turnover days from FY2017 to FY2018 was mainly due to the large balance of trade payables at the end of reporting period as a result of the increase in use of subcontractors and the purchase of material. The decrease in average trade and bills payables turnover days from FY2018 to FY2019 was mainly due to the early settlement of our payables to our subcontractors. Our trade and bills payables turnover days for each period during the Track Record Period were within the range of the credit period granted by our suppliers and subcontractors.

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The following table sets forth the ageing analysis of our trade and bills payables based on the invoice date as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	4,762	22,168	17,629
31 to 90 days	1,761	10	17
91 to 180 days	<u>—</u>	<u>5</u>	<u>—</u>
	<u><u>6,523</u></u>	<u><u>22,183</u></u>	<u><u>17,646</u></u>

Up to the Latest Practicable Date, approximately HK\$17.6 million or approximately 100.0% of the trade and bills payables outstanding as at 31 March 2019 has been subsequently settled.

Retention payables

Retention payables primarily represented the retention monies retained by us to secure our subcontractors' due performance of their works. It is a common industry practice that a portion of interim payment is held up by us as a customer to secure the due performance of our subcontractors. We will generally retain 5% to 10% of each interim payment from our subcontractors as retention money. We will usually release 50% of the retention money upon handing over of the residential units to respective owners by the property developers, while the remaining 50% will be released upon the end of a pre-agreed period after such handing over, which is usually around six months.

As at 31 March 2017, 2018 and 2019, our retention payables amounted to approximately HK\$4.1 million, HK\$4.9 million and HK\$5.8 million, respectively. The increase in retention payables throughout the Track Record Period was mainly due to the increase in the use of subcontractors in assisting of our projects, which was in line with the increase in our subcontracting fee.

The following table sets out the retention payables based on the expected date of handing over to property developers and subsequent handing over to respective owners, as at the dates indicated:

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within six months	522	489	975
Within a period of more than six months but not exceeding one year	691	2,065	1,123
Within a period of more than one year	<u>2,893</u>	<u>2,370</u>	<u>3,723</u>
	<u><u>4,106</u></u>	<u><u>4,924</u></u>	<u><u>5,821</u></u>

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Accruals

Accruals primarily consisted of accrued staff salaries and retirement benefit scheme contribution, provision for unused annual leave and other miscellaneous accrued expenses. As at 31 March 2017, 2018 and 2019, our accruals amounted to approximately HK\$10.9 million, HK\$10.2 million and HK\$8.9 million, respectively. The accruals remained stable at approximately HK\$10.9 million and HK\$10.2 million for FY2017 and FY2018, respectively. The decrease in accruals from 31 March 2018 to 31 March 2019 was mainly due to the reversal of over-provision of tax penalty in respect of prior years.

Lease liabilities

Lease liabilities represented lease arrangements for office premise, carpark space, warehouse and motor vehicle and were initially measured at the present value of the lease payment that is not yet paid. As we have early adopted HKFRS 16 throughout the Track Record Period, leases have been recognised in the form of an asset (for the right-of-use) and a corresponding lease liability (for the payment obligation) in our consolidated statements of financial position. For details of HKFRS 16, please refer to note 4 in Appendix I to this prospectus. As at 31 March 2017, 2018 and 2019, our lease liabilities (both current and non-current) amounted to approximately HK\$2.4 million, HK\$2.1 million and HK\$2.1 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are settlement of cost of services provided, administrative expenses, finance costs, income tax expense and other working capital needs. During the Track Record Period, we met these cash requirements by relying on our principal sources of funding, being a combination of Shareholders' equity, cash flows generated from operations and certain bank borrowings.

We monitor our cash flows and cash balance on a regular basis and seek to maintain at all material times a reasonable level of liquidity and working capital buffer to support our general operations, funding obligations and capital commitments, as well as to facilitate efficient and timely management decisions on undertaking new business opportunities as they arise.

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CASH FLOWS

The following table sets out a summary of our consolidated cash flow statements for the periods indicated:

	FY2017	FY2018	FY2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	33,885	6,887	8,246
Net cash used in investing activities	(3,995)	(13,182)	(1,678)
Net cash generated from/(used in) financing activities	3,894	7,439	(13,842)
Net increase/(decrease) in cash and cash equivalents	33,784	1,144	(7,274)
Cash and cash equivalents at beginning of the year	7,196	40,980	42,124
Cash and cash equivalents at end of the year	40,980	42,124	34,850

Net cash flow generated from operating activities

Net cash generated from operations primarily consisted of profit before taxation, adjusted for depreciation of property and equipment, bank interest income, finance costs, loss on disposal of plant and equipment, net effect of changes in working capital and Hong Kong profits tax paid.

Our major operating cash inflows are derived mainly from the receipt of payments from contract works undertaken by us and our cash used in operating activities mainly include subcontracting fees, cost of materials and other accessories, direct labour costs and administrative expenses.

For FY2019, our Group had net cash generated from operating activities of approximately HK\$8.2 million, primarily as a result of profit before taxation of approximately HK\$56.3 million, which was then adjusted for depreciation of approximately HK\$2.1 million, reversal of over-provision of tax penalty in respect of prior years of approximately HK\$1.5 million, finance costs of approximately HK\$0.6 million, Hong Kong profit tax paid of approximately HK\$20.0 million and net cash outflow in our working capital of approximately HK\$28.7 million. The net cash outflow in our working capital was primarily due to the combined effect of (i) the increase in trade and other receivables, deposits and prepayment of approximately HK\$15.3 million; (ii) the decrease in contract assets of approximately HK\$8.4 million; (iii) the decrease in contract liabilities of approximately HK\$23.1 million; and (iv) the increase in trade, retention and bills payables and accruals of approximately HK\$1.3 million. For further explanations of fluctuations for the aforesaid items from the consolidated statements of financial position, please refer to the paragraph headed "Description of selected items of the consolidated statements of financial position" of this section.

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For FY2018, our Group had net cash generated from operating activities of approximately HK\$6.9 million, primarily as a result of profit before taxation of approximately HK\$43.3 million, which was then adjusted for depreciation of approximately HK\$2.4 million, finance costs of approximately HK\$270,000, interest income of approximately HK\$109,000, Hong Kong profit tax paid of approximately HK\$8.7 million and net cash outflow in our working capital of approximately HK\$30.3 million. The net cash outflow in our working capital was primarily due to the combined effect of (i) the increase in trade and other receivables, deposits and prepayment of approximately HK\$7.3 million; (ii) the increase in contract assets of approximately HK\$31.5 million; (iii) the decrease in contract liabilities of approximately HK\$7.3 million; and (iv) the increase in trade, retention and bills payables and accruals of approximately HK\$15.8 million. For further explanations of fluctuations for the aforesaid items from the consolidated statements of financial position, please refer to the paragraph headed “Description of selected items of the consolidated statements of financial position” of this section.

For FY2017, our Group had net cash generated from operating activities of approximately HK\$33.9 million, primarily as a result of profit before taxation of approximately HK\$36.8 million, which was then adjusted for depreciation of approximately HK\$1.2 million, imputed interest income on non-current interest-free advances to a shareholder of approximately HK\$3.7 million, Hong Kong profit tax paid of approximately HK\$1.3 million and net cash inflow in our working capital of approximately HK\$0.8 million. The net cash inflow in our working capital was primarily due to the combined effect of (i) the increase in trade and other receivables, deposits and prepayment of approximately HK\$2.2 million; (ii) the decrease in contract assets of approximately HK\$3.4 million; (iii) the increase in contract liabilities of approximately HK\$0.5 million; and (iv) the decrease in trade, retention and bills payables and accruals of approximately HK\$0.9 million. For further explanations of fluctuations for the aforesaid items from the consolidated statements of financial position, please refer to the paragraph headed “Description of selected items of the consolidated statements of financial position” of this section.

Net cash used in investing activities

For FY2019, our net cash used in investing activities was approximately HK\$1.7 million, primarily as a result of (i) the purchase of property, plant and equipment for approximately HK\$2.9 million; (ii) the placements of fixed bank deposit with original maturity more than three months of approximately HK\$5.0 million; and (iii) the withdrawals of fixed bank deposit with original maturity more than three months of approximately HK\$6.0 million.

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For FY2018, our net cash used in investing activities was approximately HK\$13.2 million, primarily attributable to combined effect of (i) the purchase of property, plant and equipment for approximately HK\$0.8 million; (ii) the placements of fixed bank deposit with original maturity more than three months of approximately HK\$12.8 million; (iii) the payments of life insurance of approximately HK\$6.5 million; and (iv) the advances to shareholders of approximately HK\$13.3 million. The effect then was partially offset by (i) the withdrawals of fixed bank deposit with original maturity more than three months of approximately HK\$13.8 million; and (ii) the release of pledged bank balances of approximately HK\$6.3 million.

For FY2017, our net cash used in investing activities was approximately HK\$4.0 million, primarily as a result of (i) the placements of fixed bank deposit with original maturity more than three months of approximately HK\$17.9 million; (ii) the withdrawals of fixed bank deposit with original maturity more than three months of approximately HK\$20.0 million; and (iii) the advances to shareholders of approximately HK\$6.1 million.

Net cash generated from/(used in) financing activities

For FY2019, our net cash used in financing activities was approximately HK\$13.8 million, primarily as a result of the combined effect of the increase in new bank borrowings of approximately HK\$10.7 million, which was offset by (i) the repayments of bank borrowings of approximately HK\$19.0 million; (ii) the repayments of lease liabilities of approximately HK\$1.9 million; (iii) the payment of issue costs of approximately HK\$3.0 million; and (iv) the interest paid of approximately HK\$0.6 million.

For FY2018, our net cash generated from financing activities was approximately HK\$7.4 million, primarily as a result of the combined effect of the increase in new bank borrowings of approximately HK\$10.1 million, which was offset by (i) the repayments of bank borrowings of approximately HK\$340,000; (ii) the repayments of lease liabilities of approximately HK\$2.1 million; and (iii) the interest paid of approximately HK\$270,000.

For FY2017, our net cash generated from financing activities was approximately HK\$3.9 million, primarily as a result of the combined effect of the proceeds from issuance of share capital of approximately HK\$5.0 million, offset by the repayments of lease liabilities of approximately HK\$1.1 million.

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OTHER KEY FINANCIAL RATIOS

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

	As at/Year ended 31 March		
	2017	2018	2019
Liquidity ratios			
Current ratio ¹	2.59 times	1.43 times	3.19 times
Quick ratio ²	2.59 times	1.43 times	3.19 times
Capital adequacy ratios			
Gearing ratio ³	2.1%	23.5%	3.3%
Debt to equity ratio ⁴	N/A	N/A	N/A
Interest coverage ⁵	694.6 times	161.2 times	90.6 times
Profitability ratios			
Return on assets ⁶	16.8%	24.3%	30.2%
Return on equity ⁷	27.3%	71.1%	42.8%
Net profit margin ⁸	16.2%	17.1%	14.5%

Notes:

- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period during the Track Record Period.
- Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as at the end of each reporting period during the Track Record Period.
- Gearing ratio is calculated based on the total interest-bearing liabilities divided by the total equity as at the end of each reporting period and multiplied by 100%.
- Debt to equity ratio is calculated based on the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period and multiplied by 100%.
- Interest coverage is calculated based on the profit before interest and tax divided by the interest of each reporting period during the Track Record Period.
- Return on assets is calculated based on the profit and total comprehensive income for each reporting period divided by the total assets as at the end of each reporting period and multiplied by 100%.
- Return on equity is calculated based on the profit and total comprehensive income for each reporting period divided by the total equity as at the end of each reporting period and multiplied by 100%.
- Net profit margin is calculated based on the profit and total comprehensive income for each reporting period divided by the revenue for each reporting period and multiplied by 100%. For further explanations of fluctuations, please refer to the paragraph headed “Review of historical results of operations” of this section.

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9. Our Group has adopted HKFRS 16 in the preparation of our financial information, consistently throughout the Track Record Period. During the Track Record Period, we have non-cancellable operating lease commitment and finance lease payables. Upon the application of HKFRS 16, we recognised right-of-use assets and corresponding liabilities in respect of all these leases. The lease liability is increased or decreased to reflect the interest on the lease liability or the lease payments, respectively. Accordingly, lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Also, under the HKFRS 16, the rental expense will be reduced.

As such, our finance costs increased to approximately HK\$53,000, HK\$270,000 and HK\$628,000, while our depreciation of right-of-use assets was HK\$1.1 million, HK\$2.1 million and HK\$1.8 million for FY2017, FY2018 and FY2019, respectively. Also, our non-current assets slightly increased to approximately HK\$2.9 million, HK\$9.5 million and HK\$12.4 million, while our total liabilities slightly increased to approximately HK\$71.5 million, HK\$98.0 million and HK\$44.3 million as at 31 March 2017, 2018 and 2019, respectively. Since there is remeasurement of finance costs, non-current assets and total liabilities (both current and non-current liabilities), our current ratio, quick ratio, interest coverage and return on assets are decreased, and our gearing ratio is increased, as compared to the ratio applied based on HKAS 17.

As confirmed by our Directors, there was no significant impact on the financial position and performance of our Group during the Track Record Period for the adoption of HKFRS 16, as compared to the requirements under HKAS 17. Moreover, they do not expect the adoption, as compared to HKAS 17, would result in a significant impact on the results and net assets of our Group.

Current ratio

As at 31 March 2017, 2018 and 2019, our current ratio was approximately 2.59 times, 1.43 times and 3.19 times respectively.

The decrease of our current ratio from approximately 2.59 times as at 31 March 2017 to approximately 1.43 times as at 31 March 2018 was primarily due to the combined effect of (i) the settlement of advance to a shareholder from approximately HK\$76.8 million as at 31 March 2017 to nil as at 31 March 2018 as a result of the dividend paid during FY2018; (ii) the increase in contract assets from approximately HK\$44.7 million as at 31 March 2017 to approximately HK\$76.2 million as at 31 March 2018; and (iii) the increase in trade, retention and bills payables and accruals from approximately HK\$21.5 million as at 31 March 2017 to approximately HK\$37.3 million as at 31 March 2018. For further explanations of fluctuations for the aforesaid items from the consolidated statements of financial position, please refer to the paragraph headed “Description of selected items of the consolidated statements of financial position” of this section.

The increase of our current ratio from approximately 1.43 times as at 31 March 2018 to approximately 3.19 times as at 31 March 2019 was primarily due to the combined effect of (i) the increase in trade and other receivables, deposits and prepayment from approximately HK\$19.9 million as at 31 March 2018 to approximately HK\$35.2 million as at 31 March 2019; (ii) the decrease in advances to a shareholder of the Company from approximately HK\$9.8 million as at 31 March 2018 to nil as at 31 March 2019; (iii) the decrease in trade, retention and bills payables and accruals from approximately HK\$37.3 million as at 31 March 2018 to approximately HK\$34.1 million as at 31 March 2019; (iv) the decrease in contract liabilities from approximately HK\$23.8 million as at 31 March 2018 to

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approximately HK\$0.7 million as at 31 March 2019; (v) the decrease in income tax payable from approximately HK\$15.1 million as at 31 March 2018 to approximately HK\$6.0 million as at 31 March 2019; and (vi) the decrease in bank borrowings from approximately HK\$9.8 million as at 31 March 2018 to approximately HK\$1.5 million as at 31 March 2019. For further explanations of fluctuations for the aforesaid items from the consolidated statements of financial position, please refer to the paragraph headed “Description of selected items of the consolidated statements of financial position” of this section.

Quick ratio

Our quick ratio was the same as our current ratio since there was no inventory recorded during the Track Record Period.

Gearing ratio

As at 31 March 2017, 2018 and 2019, our gearing ratio was approximately 2.1%, 23.5% and 3.3% respectively.

The increase of our gearing ratio from approximately 2.1% as at 31 March 2017 to approximately 23.5% as at 31 March 2018 was primarily due to the combined effect of (i) the increase in bank borrowings from nil as at 31 March 2017 to approximately HK\$9.8 million as at 31 March 2018; and (ii) the decrease in total equity from approximately HK\$114.7 million as at 31 March 2017 to approximately HK\$50.8 million as at 31 March 2018 as a result of the distribution of dividend of HK\$100.0 million during the corresponding year.

The decrease of our gearing ratio from approximately 23.5% as at 31 March 2018 to approximately 3.3% as at 31 March 2019 was primarily due to the combined effect of (i) the decrease in bank borrowings from approximately HK\$9.8 million as at 31 March 2018 to approximately HK\$1.5 million as at 31 March 2019; and (ii) the increase in total equity from approximately HK\$50.8 million as at 31 March 2018 to approximately HK\$106.0 million as at 31 March 2019 as a result of the net profit for FY2018. For further explanations of fluctuations for the aforesaid items from the consolidated statements of profit or loss and other comprehensive income, please refer to the paragraph headed “Description of selected items of consolidated statements of profit or loss and other comprehensive income” of this section.

Debt to equity ratio

As we recorded net cash position as at 31 March 2017, 2018 and 2019, such debt to equity ratio was not applicable.

Interest coverage

For FY2017, FY2018 and FY2019, our interest coverage was approximately 694.6 times, 161.2 times and 90.6 times respectively.

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The decrease of our interest coverage from approximately 694.6 times for FY2017 to approximately 161.2 times for FY2018 was primarily due to the increase in finance costs from approximately HK\$53,000 for FY2017 to approximately HK\$270,000 for FY2018 and was generally in line with increase in bank borrowings, outweighing the increase in profit before interest and tax during the corresponding years. For further explanations of fluctuations for the aforesaid items from the consolidated statements of profit or loss and other comprehensive income, please refer to the paragraph headed “Description of selected items of consolidated statements of profit or loss and other comprehensive income” of this section.

The further decrease of our interest coverage from approximately 161.2 times for FY2018 to approximately 90.6 times for FY2019 was primarily due to the increase of finance costs from approximately HK\$270,000 for FY2018 to approximately HK\$628,000 for FY2019, outweighing the increase in profit before interest and tax during the corresponding years. For further explanations of fluctuations for the aforesaid items from the consolidated statements of profit or loss and other comprehensive income, please refer to the paragraph headed “Description of selected items of consolidated statements of profit or loss and other comprehensive income” of this section.

Return on assets

For FY2017, FY2018 and FY2019, our return on assets was approximately 16.8%, 24.3% and 30.2%, respectively.

The increase of our return on assets from approximately 16.8% for FY2017 to approximately 24.3% for FY2018 was primarily due to the combined effect of (i) the increase in profit and total comprehensive income from approximately HK\$31.3 million for FY2017 to approximately HK\$36.1 million for FY2018, and partially offset by the decrease in total assets from approximately HK\$186.2 million as at 31 March 2017 to approximately HK\$148.7 million as at 31 March 2018 as a result of the settlement of advance to shareholders during the corresponding years.

The further increase of our return on assets from approximately 24.3% for FY2018 to approximately 30.2% for FY2019 was primarily due to the combined effect of (i) the increase in profit and total comprehensive income from approximately HK\$36.1 million for FY2018 to approximately HK\$45.4 million for FY2019, outweighing the increase in total assets for FY2019. For further explanation of fluctuations for the aforesaid item, please refer to the paragraph headed “Description of selected items of consolidated statements of profit or loss and other comprehensive income” of this section.

Return on equity

For FY2017, FY2018 and FY2019, our return on equity was approximately 27.3%, 71.1% and 42.8%, respectively.

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The increase of our return on equity from approximately 27.3% for FY2017 to approximately 71.1% for FY2018 was primarily due to the decrease in total equity from approximately HK\$114.7 million as at 31 March 2017 to approximately HK\$50.8 million as at 31 March 2018 as a result of the distribution of dividend of HK\$100.0 million during the corresponding years.

The decrease of our return on equity from approximately 71.1% for FY2018 to approximately 42.8% for FY2019 was primarily due to the increase in total equity from approximately HK\$50.8 million as at 31 March 2018 to approximately HK\$106.0 million as at 31 March 2019, outweighing the increase in profit and total comprehensive income for FY2019.

INDEBTEDNESS STATEMENT AND CONTINGENT LIABILITIES

At the close of business on 31 July 2019, being the latest practicable date for the indebtedness statement (“**Indebtedness Date**”), we had a bank loan of approximately HK\$0.6 million, which was secured by the Group’s carpark space and guaranteed by our executive Directors; secured and guaranteed trust receipt loans of approximately HK\$15.6 million, which were secured by the Group’s life insurance policy to insure Ms. Cheung, our executive Director, and certain properties of our executive Directors and guaranteed by our executive Directors; and unguaranteed lease liabilities of approximately HK\$2.9 million, of which HK\$1.7 million were secured by certain rental deposits of the Group and HK\$1.2 million were secured by certain motor vehicles of the Group.

As at 31 July 2019, the unutilized bank facilities of approximately HK\$14.9 million.

Bank borrowings

According to the relevant bank facilities letters, the following table sets out the payable of our secured bank borrowings (including trust receipt loans) with personal guarantees as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	31 July 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Within one year	—	417	976	15,716
Within a period of more than one year but not exceeding two years	—	425	136	137
Within a period of more than two years but not exceeding five years	—	1,335	347	302
Within a period of more than five years	—	7,602	—	—
	—	9,779	1,459	16,155

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Notwithstanding the provisions stated in the relevant bank facilities, the bank facilities granted by a bank are repayable on demand by the bank which has the overriding right at any time to require immediate payment of all principal, interest, fees and other amounts outstanding under the bank facilities letter or any part thereof and/or to require cash collateralisation of all or any sum actually or contingently owing to it under the bank facilities; and the bank facilities granted by another bank may be modified, cancelled or suspended, at any time without prior notice, at the sole discretion of such bank that including, without limitation, cancelling any unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the above bank borrowings were classified as current liabilities as at 31 March 2019 and 31 July 2019.

The bank borrowings bore variable interest rate based on Hong Kong Prime Rate. As at 31 March 2018 and 31 March 2019, the weighted average interest rates were approximately 2.15% and 2.98% per annum, respectively. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not received any demand for immediate repayment from our lenders.

The aforementioned bank borrowings facilities granted to our Group are secured by (i) the personal guarantees and certain properties of Mr. Ko and Ms. Cheung, our executive Directors; (ii) our carpark space; and (iii) payments for life insurance. The personal guarantees and certain properties of Mr. Ko and Ms. Cheung will be released and replaced by pledged bank balance and payments for life insurance provided by our Group upon the Listing.

As at 31 July 2019, bank borrowings of HK\$16.2 million were variable rate borrowing which carried weighted average interest rate per annum is 2.59% per annum. As at 31 July 2019, our bank borrowings were secured by (i) the personal guarantees and certain properties of two Directors; (ii) our carpark space; and (iii) payments for life insurance.

Lease Liabilities

The following tables set forth our lease liabilities and its minimum lease payments due as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current	692	451	1,108	1,543
Current	<u>1,687</u>	<u>1,698</u>	<u>958</u>	<u>1,350</u>
	<u><u>2,379</u></u>	<u><u>2,149</u></u>	<u><u>2,066</u></u>	<u><u>2,893</u></u>

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	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,766	1,757	1,043	1,445
Within a period of more than one year but not exceeding two years	620	471	542	1,061
Within a period of more than two years but not exceeding five years	<u>95</u>	<u>—</u>	<u>655</u>	<u>558</u>
	2,481	2,228	2,240	3,064
Less: Future finance charges	<u>(102)</u>	<u>(79)</u>	<u>(174)</u>	<u>(171)</u>
	<u><u>2,379</u></u>	<u><u>2,149</u></u>	<u><u>2,066</u></u>	<u><u>2,893</u></u>

The operating lease arrangements for renting office premises, carpark space, warehouse and motor vehicles are mainly two to five years. The weighted average interest rates underlying the leases liabilities are ranging from 2.68% to 2.95% per annum. Our Directors confirm that our Group had no default in repayments of lease liabilities during the Track Record Period.

Performance guarantees

	As at 31 March			As at 31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Performance guarantees given by a bank as security for our Group's due performance and observance of our obligations	<u>11,450</u>	<u>85</u>	<u>32,483</u>	<u>33,190</u>

Save as disclosed above and apart from intra-group liabilities, we did not have, at the close of business on 31 July 2019, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or other similar indebtedness, liabilities under acceptances or acceptance credit, debentures, lease liabilities, mortgages and charges, material contingent liabilities, or guarantees outstanding.

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Our Directors confirm that (i) there has not been any material change in the indebtedness and contingent liabilities since 31 July 2019 and up to the Latest Practicable Date; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements and the payments of trade and non-trade payables during the Track Record Period; (iii) we do not have material covenants relating to the outstanding debts affecting our fund raising ability; (iv) we have complied with all of the finance covenants during the Track Record Period, if any; and (v) we do not have any concrete material external debt financing plans as at the Latest Practicable Date.

Set out below shows the movement of performance guarantee given by a bank during the Track Record Period.

	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unutilised performance guarantees in the beginning of the financial year	14,070	3,550	39,915
Utilised for performance bond during the financial year	(11,365)	—	(32,622)
Additional bank facilities for performance bond obtained during the financial year (<i>Note</i>)	—	25,000	—
Release of performance bond during the financial year	<u>845</u>	<u>11,365</u>	<u>224</u>
Unutilised performance guarantees as at 31 March	<u><u>3,550</u></u>	<u><u>39,915</u></u>	<u><u>7,517</u></u>

Note: The addition bank facilities obtained in FY2018 due to additional collateral properties from Directors pledged to the bank.

CAPITAL COMMITMENTS

During the Track Record Period and as at the Latest Practicable Date, we did not have any capital commitments.

Other than the above, our Group does not have any other commitments for future minimum lease payments under non-cancellable operating leases of properties at the end of the reporting period.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources and bank facilities presently available to us, including bank borrowings and other internal resources, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this document.

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OFF-BALANCE-SHEET TRANSACTIONS

Save as disclosed above, our Group did not enter into any off-balance sheet transactions or arrangements during the Track Record Period and as at the Latest Practicable Date.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group regularly reviews and manages our capital structure to safeguard our Group's ability to continue as a going concern and to provide returns for shareholders by maintaining a balance between debt and equity balance. Our Group monitors capital using net debts, net of pledged bank balances, bank balance and cash, and equity attributable to owners of our Group.

Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. Our Group's exposure to the above risks and the financial risk management policies and practices used by our Group to manage these risks are described below:

Interest rate risk

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. Our Group does not use any interest rate hedging to hedge our exposure to interest rates.

Credit risk

Our Group's credit risk is primarily attributable to the respective recognised financial asset, including but no limited to, bank deposits, trade and other receivables, payments for life insurance and advances to a shareholder. Our management monitors procedures to ensure follow-up action is taken to recover overdue debts and reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure adequate impairment losses are made for irrecoverable amounts. For further details, please refer to note 31 of the Accountants' Report in Appendix I to this prospectus.

Liquidity risk

Our Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate. For further details, please refer to note 31 of the Accountants' Report in Appendix I to this prospectus.

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DIVIDEND

We do not have a fixed dividend policy. Save for FY2018, we did not declare and pay any dividend in the Track Record Period. During FY2018, we declared interim dividend amounting to an aggregate of approximately HK\$100.0 million to the then shareholders of Chit Tat, of which approximately HK\$90.1 million was set off against the maximum outstanding amount of the advances to shareholders during FY2018 and the remaining balance was waived in March 2019. Since the incorporation of Chit Tat in 2000 and up to 31 March 2017, our Group has never declared dividend save for an interim dividend of approximately HK\$3.5 million declared and paid in 2011. As confirmed by our executive Directors, they obtained funds from our Group by way of the advance to shareholders as earnings available for the shareholders (who were also the relevant Directors in this case) to be offset by way of distribution as dividend. As a result, a relatively large sum of outstanding amount advances to shareholders was accumulated during the years. Given the nature of occurrence of such advances to shareholders, the executive Directors further confirmed that they did not settle any such amount until it was set off by way of dividend distribution during FY2018 where the accumulated advances to shareholders in the sum of approximately HK\$90.1 million was set-off on 31 March 2018 by dividend. Please refer to “Appendix I — 19. Balances with shareholders of the Company” to this prospectus for further details on maximum amounts outstanding from shareholders of the Company as at 31 March 2018. According to Ipsos Report, it is common for the companies in the construction industry to declare dividend to set off the amount due from shareholders. Dividends paid in prior periods may not be indicative of future dividend payment. We cannot guarantee when, if and in what form dividend will be paid in the future. For further details, please refer to the paragraph headed “Risk factors — Risks relating to the Share Offer — There can be no assurance that we will declare or distribute any dividend in the future”.

Subject to the Companies Law and the Memorandum and Articles of Association, through a general meeting, we may declare dividends in any currency but no dividend may be declared in excess of the amount recommended by our Directors. Our Articles of Association provide that dividends may be declared and paid out of profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. Our Board has the absolute discretion to decide whether to recommend payment of dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

We will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and may be subject to approval of our Shareholders.

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Future dividend payments will also depend upon the availability of dividends received from all of our subsidiaries. Hong Kong law requires a company to have sufficient legally available reserves before distributing a dividend. In general, this means that a Hong Kong company can only declare dividends from realised profits and subject further, to there being no accumulated losses. Distributions from our subsidiary companies may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiary companies may enter into in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 20 September 2018 as an exempted company with limited liability under the Companies Law and our Company has distribution reserves available for distribution to Shareholders as at 31 March 2019. For further details, please refer to the paragraph headed “Statement of Financial Position of the Company” in Appendix I to this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK\$0.6875 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the total estimated listing related expenses in relation to the Share Offer is approximately HK\$37.5 million, of which approximately HK\$11.4 million were charged to our consolidated statements of profit or loss and other comprehensive income for FY2019. For the remaining expenses, we expect to charge approximately HK\$9.7 million to our income statements for the year ending 31 March 2020 and the balance of approximately HK\$16.4 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity. Our Group’s financial performance and result of operation for the year ending 31 March 2020 will be affected by the listing expenses. However, the non-recurring listing expenses will not have continuing impact on our financial results.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited pro forma financial information” in Appendix II to this prospectus for further details.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions during the Track Record Period including (i) subcontracting fees; (ii) purchases of construction materials; and (iii) rental expenses. For further details of the related party transactions, please refer to note 29 in Appendix I to this prospectus. Our Directors confirm that these transactions were entered into in the ordinary course of business between our Group and its related parties and did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

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NO MATERIAL ADVERSE CHANGE

Our Directors expect that the Listing expenses will have a negative impact on our net profit for the year ending 31 March 2020. Save for the Listing expenses for the year ending 31 March 2020, our Directors are of the view that there would not be a material adverse change in our financial results for the year ending 31 March 2020. Save for the above, our Directors confirm that there has been no material adverse change in our operation, financial or trading position or prospects since 31 March 2019, being the date of our latest audited financial statements as set forth in Appendix I to this prospectus, and up to the date of this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to Rule 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

PRESENT POSITION AND OUTLOOK

During the Track Record Period, we recorded (i) an increasing trend in revenue generated from first-tier subcontract projects; and (ii) a decreasing trend in revenue generated from second-tier subcontract projects. This was mainly attributable to our shift in focus to first-tier subcontract projects which in general contribute to larger contract sums and higher gross profit margins in comparison with our second-tier subcontract projects. Please refer to the section headed “Financial information — Gross profit and gross profit margin” in this prospectus for further details. In summary, our gross profit margin ranged between approximately 23.3% and 27.2% for each period constituting the Track Record Period (our “**historical gross profit margin**”).

According to Ipsos Report, first-tier subcontract projects are more commonly associated with the requirement to (i) purchase performance bonds; and/or (ii) procure major materials which require greater capital strength and financial capacity in comparison with second-tier subcontract projects.

As at 31 March 2019, we had bank balance and cash (including fixed deposits with original maturity of more than three months) of approximately HK\$34.9 million and approximately HK\$32.5 million performance bonds granted to us under the bank facilities of our Group which were secured by personal guarantees given by Mr. Ko and Ms. Cheung and their properties. Please refer to Note 25 in Appendix I to this prospectus for further details. In relation to the utilised HK\$32.5 million, (i) HK\$90,000 was released in late April 2019; (ii) approximately HK\$16.7 million is expected to be released in March 2020; and (iii) approximately HK\$15.7 million is expected to be released in April 2021. Notwithstanding the Four Projects (as defined below), we are required to purchase performance bonds in aggregate of HK\$8.9 million for two of our projects on hand, namely Project Plantation Road and Project San Yick Lane.

Meanwhile, as at 31 March 2019, we had unutilised banking facilities amounting to approximately HK\$47.5 million, of which (i) HK\$30.0 million in aggregate is usable for letters of credit, overdraft and trust receipt, import financing and revolving term loan; (ii) HK\$10.0 million pertains to revolving term loan; and (iii) HK\$7.5 million is usable for the purchase of performance bonds. Should we apply for letters of credit issuance up to HK\$30.0 million, we will not have any available limit for other uses. As at the Latest Practicable Date, we are involved in 46 projects. Notwithstanding the other projects on hand, four such MVAC systems projects in particular, namely Project So Kwun Wat, Project San Yick Lane, Project Wang Lung Street and Project Lot No. 34, require HK\$53.4 million banking facilities financing for MVAC-related procurement cost. Please refer to the section headed “Business — Projects on hand” for further details on the aforementioned projects. In this regard, our Directors expect to allocate the available banking facilities in aggregate of HK\$30.0 million to finance the aforementioned procurement. In relation to the allocation, a letter of credit for Project So Kwun Wat amounting to approximately HK\$15.6 million has been issued. Such letter of credit is expected to be released in October 2019. Meanwhile, letters of credit of approximately (i) HK\$7.8 million for Project Lot No. 34 which is expected to be released in January 2020; and (ii) HK\$6.3 million for Project San Yick Lane which is expected to be released in March 2020 have also been issued. Subsequent to the

FUTURE PLANS AND USE OF PROCEEDS

release of Project So Kwun Wat's letter of credit, our Directors expect to issue a letter of credit of approximately HK\$7.7 million for Project Wang Lung Street in October 2019, and approximately HK\$8.0 million for Project Lot No. 34 in November 2019, and another HK\$8.0 million in January 2020. As at November 2019, the expected letters of credit in issue for Project Lot No. 34, Project Wang Lung Street and Project San Yick Lane will amount to approximately HK\$29.8 million. Such amount is expected to remain in issue until May 2020, where approximately HK\$14.3 million is expected to be released.

Based on our reasonable estimation, with reference to the (i) average operating cash outflow (including, but not limited to, procurement cost, subcontracting cost and direct labour cost) for FY2019 which amounted to not less than HK\$19.0 million; (ii) periodic mismatch of cash outlay and inflow inherent to the industry in which we operate in; (iii) approval process for our progress payment claim which typically ranges between 30 to 60 days; and (iv) average trade receivable turnover days during the Track Record Period which ranges between 14.9 days to 28.4 days, our Directors consider it financially prudent to maintain cash balance amounting to one to two months of our average operating cash outflow for daily operations. In this regard, our Directors consider the HK\$34.9 million, supplemented by the available HK\$10.0 million overdraft banking facility and trust receipt and import invoice financing, to be a reasonable level of cash balance to sustain our current operations. Based on our internal project budget, with reference to aforementioned financial resources allocation, our Directors consider that our current financial resources is substantially allocated for our current projects. Moreover, we were informed by (i) banks which we currently have business relationships that such banks will not grant additional limits to our banking facilities in relation to letters of credit, performance bonds and other uses; and (ii) several reputable banks which we currently do not have business relationships that such banks are only able to grant us minimal banking facilities in the absence of collateral provided by us and/or our Directors.

Although we have historically financed procurement costs with internal resources and debt financing, as well as having an annual average cash generated from operations of approximately HK\$26.3 million during the Track Record Period, given our current financial resources allocation and our need to maintain our current level of cash balance to sustain our daily operations, we do not have surplus cash nor available banking facilities to facilitate our business expansion and therefore have genuine funding needs as further explained in the paragraph headed "Reasons for the Listing" in this section.

We aim to become a preferred choice of first-tier E&M engineering subcontractor for property developments in Hong Kong. In this relation, please refer to the section headed "Business — Business strategies" for our strategies. In line with our aim above, and according to internal records, we have (i) tendered for 17 first-tier subcontract projects and five second-tier subcontract projects which the results are not yet known (together, the "**Tendered Prospective Projects**"); and (ii) received invitations but have yet to tender for a few subcontract projects as at the Latest Practicable Date. For illustrative purpose only, our tender success rate during the Track Record Period ranged from approximately 32.7% to approximately 36.4%. In relation to the Tendered Prospective Projects, as we generally secure projects via tenders through invitation and past performances is a factor in tender invitations, our Directors are of the view that any rejection to undertake an awarded project

FUTURE PLANS AND USE OF PROCEEDS

may seriously jeopardise prospect of receiving future tender invitations from respective inviting parties. By the same token, rejections to tender for invited projects may also negatively impact our future tender invitations. Our Directors have identified four projects awarded to us after 1 February 2019 and up to the Latest Practicable Date (the “**Four Projects**”) which require financing of MVAC procurement cost and performance bond through proceeds via the Listing. In relation to the MVAC procurement costs, we expect 30.0% deposit of such procurement cost to be incurred between September 2019 and October 2019, and the remaining 70.0% between November 2019 and October 2020. The following illustrates relevant information on the (i) Four Projects; and (ii) Tendered Prospective Projects:

Four Projects

Project	Project type	First/ second tier	Contract sum	Date of award	Project commencement date <i>Note 1</i>	Expected project completion date	MVAC procurement cost <i>HKS'000</i>	Expected 30% deposit payable <i>Notes 2, 3</i>	Expected 30% MVAC cost payable upon delivery <i>Note 2, 3</i>	Expected 40% MVAC cost payable upon delivery <i>Note 2, 4</i>	MVAC procurement requiring upfront financing (30% deposit and 30% first delivery) <i>HKS'000</i>	Performance bond <i>HKS'000</i>
Project Prince Edward Road	MVAC systems	First tier	9,880	February/19	August/19	December/21	1,750	September/19	December/19	April/20	1,050	—
Project Ap Lei Chau	MVAC systems	First tier	192,380	February/19	July/19	October/21	52,800	October/19	February/20	October/20	31,680	19,238
Project Tonkin Street	MVAC systems	Second tier	43,104	February/19	April/19	April/21	10,000	October/19	February/20	June/20	6,000	5,000
Project Lung Tin Tsuen 1	MVAC systems	First tier	18,280	March/19	June/19	August/21	4,200	September/19	November/19	July/20	2,520	—
Total			<u>263,644</u>				<u>68,750</u>				<u>41,250</u>	<u>24,238</u>

Notes:

- Due to the nature of MVAC systems projects, we may commence such projects earlier than the first scheduled delivery of MVAC units to perform installation preparatory works including, among other matters, electrical and control works and system pipework.
- Expected payable dates is determined with reference to payment terms quoted by the relevant supplier and our expected delivery requirements.
- Due to the periodic mismatch of cash outlay and inflow inherent to the industry in which we operate in, our Directors expect that we will require financing through proceeds via the Listing for (i) deposits; and (ii) first delivery (i.e. prior to the carrying out and completion of MVAC installation works to generate meaningful revenue). Under normal circumstances, cash generated from works in relation to the first delivery of MVAC for a particular project would be able to supplement the cost of the subsequent delivery assuming there are no unexpected events such as delay in our progress claim certification.
- As at such delivery dates, we are expected to have paid for the 70.0% of the total material deliverables, and the remainder 30.0% subsequent material deliverables will be paid by our deposit. As such, we expect further delivery of the remaining MVAC units after these dates but will not require additional financing for such delivery.
- Expected general customer payment period from cost occurrence of the above projects are 75 days.
- Supplier payment terms of the above projects are generally 30 days.

FUTURE PLANS AND USE OF PROCEEDS

Tendered Prospective Projects

As at the Latest Practicable Date we have tendered for 17 first-tier subcontract projects and five second-tier subcontract projects which the results are not yet known. 15 such tenders require (i) MVAC and ancillary materials procurement cost; and/or (ii) performance bonds, as illustrated in the table below:

Project	Project type	First/ second tier	Tender sum HK\$'000	Tender status	Expected date of award	Expected project commencement date ^{Note 1}	Expected project duration	MVAC and ancillary materials procurement cost HK\$'000	Performance bond HK\$'000
Prospect A ^{Note 2}	MVAC systems	First tier	148,800	Addressing post-submission tender queries	October/19	December/19	Three years	26,898	—
Prospect B	MVAC systems	First tier	39,280	Awaiting tender result ^{Note 3}	October/19	November/19	16 months	5,376	—
Prospect E	MVAC systems	First tier	478,000	Addressing post-submission tender queries	September/19	November/19	34 months	144,574	—
Prospect F ^{Note 2}	MVAC systems	First tier	33,888	Addressing post-submission tender queries	September/19	November/19	18 months	7,731	—
Prospect G	Electrical systems	First tier	62,388	Addressing post-submission tender queries	October/19	November/19	615 days	N/A	6,239
Prospect H	MVAC systems	First tier	186,865	Addressing post-submission tender queries	October/19	January/20	39 months	26,085	—
Prospect I	MVAC systems	First tier	73,680	Addressing post-submission tender queries	October/19	February/20	570 days	17,967	7,368
Prospect J	MVAC systems	Second tier	85,688	Addressing post-submission tender queries	October/19	February/20	570 days	34,089	8,569
Prospect K	MVAC systems	First tier	12,380	Submitted tender best offer	September/19	January/20	180 days	5,750	1,238
Prospect L	MVAC systems	First tier	32,388	Awaiting tender result ^{Note 3}	October/19	February/20	570 days	4,014	3,239
Prospect M	MVAC systems	First tier	83,688	Awaiting tender result ^{Note 3}	October/19	March/20	809 days	16,891	8,369
Prospect N	MVAC systems	First tier	25,680	Awaiting tender result ^{Note 3}	October/19	March/20	924 days	6,847	—
Prospect O	MVAC systems	Second tier	65,280	Addressing post-submission tender queries	December/19	February/20	657 days	16,128	6,528
Prospect P	MVAC systems	First tier	26,688	Addressing post-submission tender queries	December/19	February/20	570 days	7,538	2,669
Prospect Q	MVAC systems	First tier	61,889	Awaiting tender result ^{Note 3}	November/19	February/20	517 days	8,601	6,189
Total			1,416,582					328,489	50,408

Note:

1. Project commencement date as communicated to us by relevant inviting party during our tender process.
2. Our Directors are of the view that we are more likely to secure these prospective projects based on the fact that we are in the midst of addressing post-submission tender queries and our (i) selection into the final three tenders considered by the relevant inviting party; and/or (ii) past successful tenders submitted by us to the inviting party. Based on our Directors' knowledge and experience, the

FUTURE PLANS AND USE OF PROCEEDS

issuance of tender queries by the inviting party is an indication that our tender has progressed to further consideration, and we generally manage to secure the majority of tenders whereby we were selected into the final three tenders considered.

3. Based on internal records, we have yet to receive post-submission tender queries as at the Latest Practicable Date.
4. Expected general customer payment period from cost occurrence of the above projects are 75 days.
5. Expected supplier payment terms of the above projects are generally 30 days.

Taking into consideration the above factors, our Directors are of the view that we will face difficulties in expanding our business going forward while maintaining historical gross profit margin levels. In particular, our Directors have identified the following requirements/needs that will constrain our ability to achieve our business objective without additional source of capital and funding:

- (i) purchase more performance bonds;
- (ii) MVAC procurement costs; and
- (iii) hire additional staff.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for our Group’s business objectives and strategies.

REASONS FOR THE LISTING

Our Directors believe that the Listing will ensure sufficient capital strength and enhance our financial capacity to increase our business scale, profitability and market share while maintaining profit margin for the following reasons:

- **We have genuine funding needs for the expansion of our business**
 - (i) *Additional capital required to capture business opportunities and increase our market share*

As set out in the paragraph headed “Present position and outlook” in this section, our Directors are of the view that our current financial resources is substantially allocated for our current projects. In line with our aim to become a preferred choice of first-tier E&M engineering subcontractor for property developments in Hong Kong, we have been shifting our focus towards first tier subcontract projects and undertake to tender for more projects of this nature. Based on the knowledge and experience of our Directors, first-tier subcontract projects are generally associated with the requirement to purchase (i) performance bonds; and/or (ii) procurement of major materials (in particular MVAC systems). As at the Latest Practicable Date, we have 22 Tendered Prospective Projects.

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Performance bonds

Among the Tendered Prospective Projects above, nine of such projects included the requirement to purchase performance bonds. According to the Ipsos Report, the requirement for purchasing performance bonds is not uncommon in the construction industry in Hong Kong. Such bonds are used to protect and compensate bond issuers (who may be property developers or main contractors) to overcome financial difficulties should the bond purchaser (typically subcontractors) fail to fulfil their contractual obligations. Performance bonds are generally set at 10.0% of the contract value. According to Ipsos Report, a listing status of a contractor is usually not a major criterion in considering the waiver of such performance bonds requirement such that a contractor may still be required to purchase performance bond even if it is a listed company.

We are required to purchase performance bonds amounting to (i) HK\$8.9 million in aggregate for Project Plantation Road and Project San Yick Lane; and (ii) HK\$24.2 million in aggregate for Project Ap Lei Chau and Project Tonkin Street. Meanwhile, among the Tendered Prospective Projects above, eight projects, with an aggregate tender sum of approximately HK\$452.3 million, require us to purchase performance bonds. Based on the knowledge and experience of our Directors, we generally further negotiate with the inviting parties after submitting our tender, which may result in slightly lower contract sums than the submitted tender sum. As at 31 March 2019, we have two banking facilities amounting to HK\$30.0 million and HK\$10.0 million each usable for the purchase of performance bonds, of which HK\$32.5 million had been utilised and the remaining banking facility will be utilised to finance part of performance bonds in aggregate of HK\$8.9 million for Project Plantation Road and Project San Yick Lane.

Having considered the fact that (i) the entirety of banking facilities usable for the purchase of performance bonds will be utilised for current projects; (ii) our Directors are of the view that it would be difficult for our Group to obtain further banking facilities; (iii) we will only have access to the HK\$16.7 million in performance bonds facility expected to be released in March 2020 (please refer to the paragraph headed “Present position and outlook” in this section); and (iv) our Directors expect to purchase approximately HK\$24.2 million performance bonds in October 2019 for Project Ap Lei Chau and Project Tonkin Street, our Directors are of the view that we have genuine funding needs in relation to the purchase of performance bonds. In particular, we do not have any relevant debt financing available to finance the purchase of performance bonds for Project Ap Lei Chau and Project Tonkin Street in October 2019. Should we finance the HK\$24.2 million purchase with our bank balance and cash (which amounted to approximately HK\$34.9 million as at 31 March 2019), we would have remaining bank balance and cash of approximately HK\$10.7 million

FUTURE PLANS AND USE OF PROCEEDS

which is significantly below the reasonable cash balance to sustain our current operations. Our Directors consider it financially prudent to maintain cash balance amounting to one to two months of our average operating cash outflow for daily operations, while such outflow (including, but not limited to, procurement cost, subcontracting cost and direct labour cost) for FY2019 amounted to not less than HK\$19.0 million. Please refer to the paragraph headed “Present position and outlook” in this section for further details. Moreover, there are two projects awarded to us after the Track Record Period which require us to purchase approximately HK\$7.6 million performance bonds. As such, our Directors intend to allocate (i) HK\$24.2 million for the purchase of performance bonds for Project Ap Lei Chau and Project Tonkin Street; (ii) HK\$7.6 million in relation to the two projects awarded to us after the Track Record Period; and (iii) HK\$2.6 million in relation to other submitted tenders with performance bonds requirement. We have submitted tenders for nine other projects with performance bonds requirements of approximately HK\$6.2 million, HK\$7.4 million, HK\$8.6 million, HK\$1.2 million, HK\$3.2 million, HK\$8.4 million, HK\$6.5 million, HK\$2.7 million and HK\$6.2 million respectively. One such project is expected to commence in the fourth quarter of 2019, while the others are expected to commence in the first quarter of 2020, while the entirety of our available performance bonds banking facilities is tied up until March 2020. Although we have historically financed our purchase of performance bonds with debt financing, as we (i) have fully allocated the available performance bonds banking facilities; and (ii) may not have surplus cash at the material times to finance such purchase for Project Ap Lei Chau and Project Tonkin Street and Tendered Prospective Projects, our Directors consider that we have genuine funding needs for the aforementioned purpose.

MVAC procurement costs

Cost of materials is one of the major components of our cost of services, representing between approximately 35.6% to 42.2% of such cost of services for each of the period constituting the Track Record Period. Meanwhile, all of our tendered prospective projects require the procurement of major and/or ancillary materials. Please refer to the section headed “Business — Our business operations — Procurement of materials and accessories and arrangement of construction workers” for further details on such materials. We are generally required to procure ancillary materials for both first-tier and second-tier subcontract projects, while our Directors consider that first-tier subcontract projects are generally associated with the procurement of major materials (in particular air conditioners). According to the Ipsos Report, it is common for E&M contractors (especially those who are required to source materials) to incur significant upfront costs, including MVAC procurement costs, for their projects which may result in net cash outflow in the early stages of such projects. It is therefore common for E&M contractors to reserve relatively high level of cash balances to manage such upfront costs.

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While our Directors are of the view that our current financial resources is sufficient to fund our procurement requirements for projects on hand, we have funding needs for materials procurement, in particular procurement costs for air conditioners for the Four Projects as well as future projects. The Four Projects require our procurement of air conditioners amounting to an aggregate cost of approximately HK\$68.8 million, in addition to other materials. As set out in the section headed “Business — Our business operations — Evaluation and assessment of tender and budgeting”, we generally obtain preliminary quotations for materials from suppliers as part of our tender preparation. Due to the length of time between our tender submission, tender securing and actual commencement of relevant projects, we may confirm the validity of prices quoted by suppliers during our tender preparation, and (i) issue letters of credit for 100%; or (ii) pay deposits of up to 30.0% of quoted aggregate sum to such suppliers after securing the relevant tender but before the actual project commencement (depending on the estimated completion of preparatory work) to secure material prices in order to minimise our risk of material price fluctuations during such length of time. We are generally required to issue letters of credit for 100% or pay deposits of up to 30.0% two to four months before the first expected delivery of relevant materials. Our Directors consider that, when available, letters of credit are preferable to paying deposits to confirm the validity of prices quoted by suppliers. This is due to the fact that suppliers directly claim for relevant payments in relation to their material deliveries from our relevant banks after such deliveries, which minimises our financial pressure as there is no actual outflow in the two to four months before the first delivery of relevant materials. Meanwhile, we will incur cash outflow in relation to deposits of up to 30.0% two to four months before the first delivery of relevant materials and further cash outflow upon such first delivery. However, given the fact that all available banking facilities in relation to letters of credit has been utilised and allocated to relevant projects, and is expected to remain in issue until May 2020, we are confirming validity of prices quoted (including MVAC units) through deposits. Please refer to the paragraph headed “Present position and outlook” in this section for further details on the allocation of letters of credit. In relation to the Four Projects, we are required to pay 30.0% deposits in September and October 2019 (amounting to approximately HK\$20.6 million), and a further 30.0% upon first delivery of MVAC units between November 2019 and February 2020 (amounting to approximately HK\$20.6 million). In relation to the remaining 40.0% MVAC procurement costs, our Directors expect to incur such costs upon the second delivery of MVAC units between April and October 2020 for the Four Projects. Notwithstanding the fact that our bank balance and cash (which amounted to approximately HK\$34.9 million as at 31 March 2019) is insufficient to finance the aggregate 60.0% MVAC procurement costs, should we finance the HK\$20.6 million deposits payable alone with our bank balance and cash, we would have remaining bank balance and cash of approximately HK\$10.3 million which is significantly below the reasonable cash balance to sustain our current operations. Our Directors consider it

FUTURE PLANS AND USE OF PROCEEDS

financially prudent to maintain cash balance amounting to one to two months of our average operating cash outflow for daily operations, while such outflow (including, but not limited to, procurement cost, subcontracting cost and direct labour cost) for FY2019 amounted to not less than HK\$19.0 million. Please refer to the paragraph headed “Present position and outlook” in this section for further details.

In instances where we pay such deposits, depending on our agreement with relevant suppliers, we are required to pay for the material deliverables of up to 70.0% of the total material deliverables upon their delivery, and the remainder 30.0% subsequent material deliverables will be paid by our deposit. As our Directors consider that (i) our HK\$10.0 million unutilised banking facilities in relation to letters of credit is substantially allocated to projects on hand and projects awarded but not yet started; and (ii) it is difficult for us to increase the level of debt financing available to us, it is in the best financial interest of our Group to secure material prices via paying deposits going forward. Due to the periodic mismatch of cash outlay and inflow inherent to the industry in which we operate in, our Directors expect that we will require financing through proceeds via the Listing in relation to 60% MVAC procurement cost comprising (i) 30% of the costs being the deposit; and (ii) 30% of the costs being the payment for the first delivery of MVAC units (i.e. prior to the carrying out and completion of MVAC installation works to generate meaningful revenue), amounting to approximately HK\$41.3 million. Under normal circumstances, cash generated from works in relation to the first delivery of MVAC for a particular project would be able to supplement the cost of the subsequent delivery assuming there are no unexpected events such as delay in our progress claim certification. Our Directors expect to allocate a further HK\$6.0 million, being a comparable figure to the remaining MVAC procurement cost of Project Prince Edward Road, Project Tonkin Street, and Project Lung Tin Tsuen 1 of approximately HK\$6.4 million to minimise our susceptibility to the aforementioned unexpected events, in consideration of the relatively shorter time gap between the first and second expected MVAC units delivery. In this regard, our Directors expect to allocate funds of approximately HK\$47.3 million from the Listing to finance part of our MVAC procurement costs in relation to the Four Projects.

Although we have historically financed our procurement cost with internal resources and debt financing, as we (i) have fully allocated the available letters of credit and revolving term loan banking facilities for current project; and (ii) may not have surplus cash at the material times to finance such procurement for the Four Projects and Tendered Prospective Projects, our Directors consider that we have genuine funding needs for the aforementioned purpose.

FUTURE PLANS AND USE OF PROCEEDS

(ii) We consider it would be difficult for our Group to obtain bank borrowings without personal guarantees and/or other collateral provided by our Controlling Shareholders:

As at 31 March 2019, we had unutilised banking facilities amounting to approximately HK\$47.5 million. In particular, we have remaining unutilised banking facilities relating to performance bonds amounting to approximately HK\$7.5 million, which we secured through personal guarantees given by Mr. Ko and Ms. Cheung and their properties. Our Directors of the view that we are reaching the limit of banking facilities available to us from our existing banking institutions after factoring in the respective allocation with respect to our current projects and projects awarded to us but not yet started.

Our Directors consider that it would not be in the interest of our Group to further rely on debt financing that involve personal guarantee or any collateral provided by our Controlling Shareholders and their associates for the following reasons:

- (a) Continuous reliance on our Controlling Shareholders, Directors and/or their associates for provision of personal guarantee and other forms of financial assistance is a hindrance to our Group in achieving financial independence.
- (b) Our Controlling Shareholders are of the view that they have pledged a substantial portion of their personal assets and they will not be able to provide meaningful personal guarantees and/or collateral to increase the level of debt financing available to us.
- (c) It is our long-term strategy to minimise financial assistance from our Controlling Shareholders, Directors and their associates in order to carry out our business independently from our Controlling Shareholders, Directors and their associates.

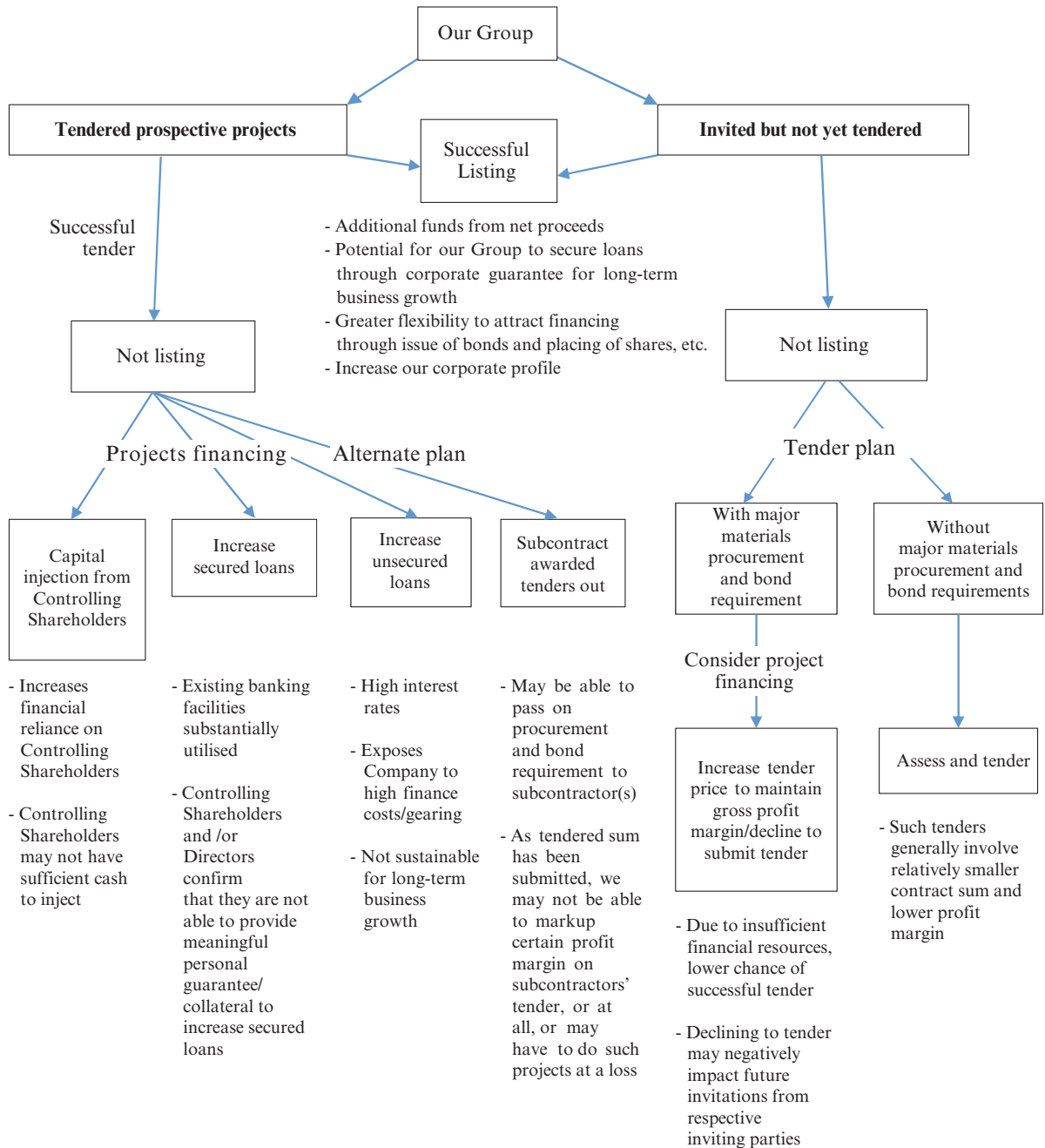
Our Directors genuinely believe that it is necessary to (i) maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order for us to maintain a reasonable profit margin, hence profitability, while we implement our business expansion; and (ii) maintain a cash level sufficient to support our Group's existing operations. In view of our Group's initial cash outflow exposure with respect to the upfront payment, including deposits to suppliers, payment for MVAC systems procurement, and payment for performance bonds, our Directors believe that our Group does not have sufficient internal generated funds to finance our expansion plan while maintaining historical gross profit margin levels and sufficient working capital for our Group's operations. Our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing in view of the borrowing costs, and the fact that our Controlling Shareholders may no longer be able to provide meaningful additional personal guarantees and/or collateral in

FUTURE PLANS AND USE OF PROCEEDS

relation to debt financing. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would face difficulties in obtaining bank borrowings at a more commercially favourable term without personal guarantee or other form of collateral provided by our Controlling Shareholders, even if such personal guarantee and/or collateral is available. Furthermore, our Group's financial performance and liquidity may be negatively affected due to sudden occurrence of market uncertainty, and any unexpected deterioration in the prevailing market condition resulting in the imposition of further stringent requirements on debt financing. As such, our Directors consider that it is in the interest of our Group to proceed with the equity financing by way of the Share Offer for the purpose of our business expansion as opposed to a debt financing in the long run.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors confirm that the below alternative funding and tender plans were taken into account in their consideration to pursue the Listing:



FUTURE PLANS AND USE OF PROCEEDS

Our Directors recognise that the estimated Listing expenses, of which approximately HK\$9.0 million is expected to be charged to profit or loss of our Group for the year ending 31 March 2020, could have otherwise been utilised to finance part of our implementation plans should we not have pursued the Listing. However, given that (i) the HK\$9.0 million is neither sufficient to finance our genuine needs for purchasing performance bonds nor MVAC procurement costs; (ii) our abovementioned constraints in relation to projects financing; and (iii) the advantages the Listing will provide us, our Directors are of the view that pursuing the Listing is in the best interest of our Group.

- **A listing status will enhance our competitiveness to compete with our listed competitors**

According to the Ipsos Report, among our competitors which possess the qualification and experience to compete in the E&M engineering services industry, all of the five largest market players by revenue in 2018 are subsidiaries of public companies. Our Directors consider achieving a listing status will elevate our stature to match those of the aforementioned major competitors of our Group in the industry. In addition, our Directors believe that the transparent financial disclosure and regulatory supervision associated with a listing status are definite competitive advantage to which main contractors and property developers would give due weight in a competitive tendering process and increase our chances for a successful tender compared with a non-listing status. Our Directors also believe that a listing status will enhance our credibility with our subcontractors, suppliers and customers and thus, enhance our level of competitiveness in competing for and carrying out our projects. With such status, our Group can be differentiated from other competitors during the tender invitation as well as tendering process, enhancing our success rate in competing for sizable and profitable projects.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.6875 per Share, the net proceeds to be received by us from the Share Offer, after deducting the related underwriting expenses in connection with the Share Offer is approximately HK\$100.0 million. Our Directors presently intend to apply such net proceeds as follows:

Intended application	Estimated proceeds allocation	
	<i>HK\$' million</i>	<i>%</i>
Purchasing performance bonds	34.4	34.4
MVAC procurement costs	47.3	47.3
Hiring additional staff	9.3	9.3
General working capital	9.0	9.0
Total	<u>100.0</u>	<u>100.0</u>

FUTURE PLANS AND USE OF PROCEEDS

Purchasing performance bonds

Approximately HK\$34.4 million, representing approximately 34.4% of net proceeds, will be allocated for the purchasing of performance bonds in relation to tendered projects and projects that we may tender.

According to the Ipsos Report, the requirement for purchasing performance bonds is not uncommon in the construction industry in Hong Kong. Such performance bond is generally set at 10.0% of the relevant contract value. As at the Latest Practicable Date, we are required to purchase approximately HK\$40.2 million in performance bonds in aggregate in relation to some new projects. Meanwhile, we have 22 Tendered Prospective Projects, including nine such projects (with an estimated aggregate projects' contract sum of approximately HK\$504.1 million) which require the purchase of performance bonds respectively. Approximately HK\$24.2 million is required for purchasing performance bonds for Project Ap Lei Chau and Project Tonkin Street, HK\$7.6 million is expected for two projects awarded to us after the Track Record Period and the remaining HK\$2.6 million in relation to other submitted tenders with performance bonds requirement. We have submitted tenders for nine other projects with performance bonds requirements of approximately HK\$6.2 million, HK\$7.4 million, HK\$8.6 million, HK\$1.2 million, HK\$3.2 million, HK\$8.4 million, HK\$6.5 million, HK\$2.7 million and HK\$6.2 million respectively. One such project is expected to commence in the fourth quarter of 2019, while the others are expected to commence in the first quarter of 2020, while the entirety of our available performance bonds banking facilities is tied up until March 2020. Please refer to the section headed "Risk factors — Risks relating to our business — Our revenue derived from E&M engineering projects which are non-recurrent in nature and any failure of our Group to secure new projects would affect our operations and financial results" for further details. Notwithstanding the foregoing, as at the Latest Practicable Date, we received invitations but have yet to tender for a few projects and our Directors believe we will receive other invitations to tender for other projects going forward. Should the allocated net proceeds not be utilised to purchase performance bonds in relation to tendered but prospective projects, we will allocate the same amount to future projects which we may tender.

MVAC procurement costs

Approximately HK\$47.3 million, representing approximately 47.3% of net proceeds, will be allocated for paying MVAC procurement costs in relation to the Four Projects.

According to our internal records, and ongoing assessment of tender requirements, the majority of the tendered prospective projects require us to procure major materials in relation to the relevant project. With regards to the targeted projects, our Directors expect that the procurement cost for MVAC systems for Four Projects alone will amount to approximately HK\$68.8 million. Due to the periodic mismatch of cash outlay and inflow inherent to the industry in which we operate in, our Directors expect that we will require financing through proceeds via the Listing in relation 60% MVAC procurement cost comprising (i) 30% of the costs being the

FUTURE PLANS AND USE OF PROCEEDS

deposit; and (ii) 30% of the costs being the payment for the first delivery of MVAC units (i.e. prior to the carrying out and completion of MVAC installation works to generate meaningful revenue), amounting to approximately HK\$41.3 million. Under normal circumstances, cash generated from works in relation to the first delivery of MVAC for a particular project would be able to supplement the cost of the subsequent delivery assuming there are no unexpected events such as delay in our progress claim certification. Our Directors expect to allocate a further HK\$6.0 million, being a comparable figure to the remaining MVAC procurement cost of Project Prince Edward Road, Project Tonkin Street, and Project Lung Tin Tsuen 1 of approximately HK\$6.4 million to minimise our susceptibility to the aforementioned unexpected events, in consideration of the relatively shorter time gap between the first and second expected MVAC units delivery. Meanwhile, we have 22 tendered prospective projects. For illustrative purpose only, our tender success rate during the Track Record Period ranged from approximately 32.7% to approximately 36.4% — our Directors therefore do not expect that we will be successful in all of the tendered prospective projects. Moreover, due to the nature of the construction industry and the different timings of tender submissions as well as expected project commencements, our Directors expect that the aforementioned procurement requirement will not occur at the same time but rather gradually over a length of time depending on specific tender and project requirements.

Cost of materials was one of the largest components of our cost of services during the Track Record Period. Please refer to the section headed “Financial information — Cost of materials” in this prospectus for further details. Meanwhile, due to the nature of the E&M engineering services industry, our relevant inviting party may require us to procure specific brands of major materials such as air conditioners for specific projects, which we factor in to our tender preparations. We typically approach relevant suppliers to request for quotations as part of our tender preparations. Due to the length of time between our tender submission, tender securing and actual commencement of relevant projects, we may confirm the validity of prices quoted by suppliers during our tender preparation, and (i) issue letters of credit; or (ii) pay deposits of up to 30.0% of quoted aggregate sum to such suppliers after securing the relevant tender but before the actual project commencement (depending on the estimated completion of preparatory work) to secure material prices in order to minimise our risk of material price fluctuations during such length of time. In instances where we pay such deposits, depending on our agreement with relevant suppliers, we are required to pay 100% of each delivery of materials up to 70.0% of the total order sum, and the remainder 30.0% subsequent delivery will be deducted from our deposit paid. However, there is no assurance that we will succeed in securing these projects. Please refer to the section headed “Risk factors — Our revenue derived from E&M engineering projects which are non-recurrent in nature and any failure of our Group to secure new projects would affect our operations and financial results” for further details. Notwithstanding the foregoing, as at the Latest Practicable Date, we received invitations but have yet to tender for a few projects and our Directors believe we will receive other invitations to tender for other projects going forward.

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Hiring additional staff

Approximately HK\$9.3 million, representing approximately 9.3% of net proceeds, will be allocated for hiring additional operational staff for the tendered prospective projects. Such operational staff will increase our manpower in (i) project management and engineering; and (ii) site safety supervision in line with our increased involvement in first-tier MVAC subcontracting projects. Please refer to the section headed “Business — Employee” for further details.

Our engineers (which form part of our project design and management team) are responsible for, among other matters, preparation of tenders and quotations, liaison with customers, architects and relevant contractors for system design and installation design, and attending project meetings. Our project design and management team grew on an increasing trend during the Track Record Period, in line with the growth of our business, and our Directors estimate that additional engineers are required in view of (i) our projects on hand; (ii) projects we have tendered but the results are not yet known; and (iii) projects which we are invited to tender but have yet to submit such tender.

Our safety staff is responsible in supervising the safety of our projects, which includes works performed by our subcontractors. The number of our safety staff remained stable at two personnel during the Track Record Period despite the growth of our business, mainly due to our higher ratio of involvement in second-tier subcontracting projects which generally did not require us to provide safety supervision. The majority of our major second-tier subcontracting projects with contract sum over HK\$10.0 million were completed as at the Latest Practicable Date. On the other hand, our increasing involvement in first-tier subcontracting projects which require our provision of safety supervision increases our need for safety staff. Please refer to the section headed “Business — Completed projects” and “Business — Projects on hand” for further details. Based on our internal staff allocation, our Directors consider that we require two additional safety staff to satisfy such demand.

Our construction workers are responsible for, among other matters, the installation of relevant materials for our E&M engineering projects. Such projects include (i) MVAC systems; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems. In particular, we were able to and have subcontracted out part of such installation works during the Track Record Period. Please refer to the section headed “Business — Subcontractors” for further details. Although our Directors expect an increase in our demand for installation works, our Directors consider that we will be able to subcontract out such additional installation works. Meanwhile, our Directors are of the view that the hiring of our own project management, engineering and safety staff will provide us with better control over the design, management, and safety of our projects.

FUTURE PLANS AND USE OF PROCEEDS

Based on our internal project budget and manpower allocation, our Directors expect to hire the below additional staff as set out below, together with the relevant qualifications and experience requirements:

Staff category	Number of additional headcount	Net proceeds to be used <i>HK\$'000</i>
Project management	4	2,870
Engineering	13	5,600
Safety	2	805
Total	19	9,275

Staff position	Number of additional headcount	Qualifications	Years of experience
Project manager	2	Bachelor or above in Building Services or related subject	Seven years or above
Assistant project manager	2	Bachelor or above in Building Services or related subject	Six years or above
Senior engineer	4	Bachelor or above in Mechanical/Electrical Engineering or related subject	Five years or above
Engineer	4	Bachelor or above in Mechanical/Electrical Engineering or related subject	Three years or above
Engineer assistant	5	Higher certificate or above in Mechanical/Electrical Engineering or related subject	No experience requirement
Safety officer	2	Bachelor or above in Building Services or related subject	Five years

Our Directors are of the view that our above hiring plan is feasible given that (i) the salary that we offer in our plan is based on (i) our offered salary being within the range of those of our current staff of the same categories; and (ii) our hiring plan will be implemented on a gradual basis. In view of our hiring plan targeting less than 20 headcount and on a gradual basis, our Directors do not foresee any practical difficulties in implementing our hiring plan.

FUTURE PLANS AND USE OF PROCEEDS

General working capital

Approximately HK\$9.0 million, representing approximately 9.0% of net proceeds, will be used as our general working capital.

The planned use of proceeds as outlined above may change in light of our evolving business needs and conditions, given the nature of the construction industry in general and specific tender and project requirements in particular going forward. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make relevant disclosure in our financial report for the relevant period as required by the Stock Exchange.

In respect of net proceeds from the Share Offer which are not immediately required for the above purpose, our Directors presently intend that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

BASES AND KEY ASSUMPTIONS

Investors should note that our implementation plans are formulated on the bases and key assumptions set out below:

- there will be no material change to our tender success rate;
- there will be no material change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by us will remain effective, and we will be able to renew licences, permits and qualifications as relevant;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” of this prospectus;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material change to materials and labour costs;
- drivers of demand of the construction, and E&M engineering industries in Hong Kong will remain substantially the same; and

FUTURE PLANS AND USE OF PROCEEDS

- our Group will be able to continue our business operation in substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations of our Group and the implementation of our development plans.

If the Offer Price is fixed at the high-end or low-end of the indicative Offer Price range, being HK\$0.75 and HK\$0.625 per Share respectively, and assuming that the Over-allotment Option is not exercised, the net proceeds we receive from the Share Offer will increase or decrease by approximately HK\$12.5 million. We intend to apply the increased/decreased net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable to us, will be approximately (i) HK\$31.5 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.75 per Share; (ii) HK\$18.6 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$0.6875 per Share; and (iii) HK\$5.6 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.625 per Share. We intend to apply any increased/decreased net proceeds for the above purposes on a pro-rata basis.

THE CORNERSTONE INVESTMENT

As part of the Placing, we have entered into a cornerstone investment agreement with each of Mr. Gao Chengjian, Mr. Lam Shing Tai, Mr. Lam Yuk and Mr. Tsang Keung, respectively (together, the “**Cornerstone Investors**”), the Sole Sponsor and the Sole Global Coordinator (together, the “**Cornerstone Investment Agreements**”), pursuant to which the Cornerstone Investors have agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot of 5,000 Shares) that may be purchased for an aggregate amount of approximately HK\$45.0 million (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$0.625 (being the low-end of the indicative Offer Price range), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 72,000,000, representing (a) 36.0% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 31.3% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) 9.0% of our Shares in issue and outstanding upon the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

Assuming an Offer Price of HK\$0.6875 (being the mid-point of the indicative Offer Price range), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 65,450,000 (rounded down to the nearest whole board lot of 5,000 Shares), representing (a) approximately 32.7% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 28.5% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 8.2% of our Shares in issue and outstanding upon the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

Assuming an Offer Price of HK\$0.75 (being the high-end of the indicative Offer Price range), the total number of Offer Shares to be subscribed for or purchased by the Cornerstone Investors would be 59,990,000 (rounded down to the whole board lot of 5,000 Shares for each Cornerstone Investor), representing (a) approximately 30.0% of the total number of the Offer Shares assuming the Over-allotment Option is not exercised; (b) approximately 26.1% of the total number of the Offer Shares assuming the Over-allotment Option is fully exercised; and (c) approximately 7.5% of our Shares in issue and outstanding upon the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

CORNERSTONE INVESTORS

The Cornerstone Placing will form a part of the Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares then in issue and to be listed on the Stock Exchange upon completion of the Share Offer and will be counted towards the public float of our Company. The number of Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares from the Placing to the Public Offer in the event of over-subscription under the Public Offer as described in the section headed “Structure and Conditions of the Share Offer — Public Offer — Reallocation and Clawback” nor affected by any exercise of the Over-allotment Option.

OUR CORNERSTONE INVESTORS

We have entered into the Cornerstone Investment Agreements with the Cornerstone Investors in respect of the Cornerstone Placing. The details of the investment of our Cornerstone Investors are set forth below:

Cornerstone Investors	Investment amount (HK\$) (‘000)	Number of Offer Shares (rounded down to nearest whole board lot of 5,000 Shares) (‘000)	Based on the Offer Price of HK\$0.625 (being the low-end of the indicative Offer Price range)			
			Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Mr. Gao Chengjian	10,000	16,000	8.0%	7.0%	2.0%	1.9%
Mr. Lam Shing Tai	17,000	27,200	13.6%	11.8%	3.4%	3.3%
Mr. Lam Yuk	10,000	16,000	8.0%	7.0%	2.0%	1.9%
Mr. Tsang Keung	8,000	12,800	6.4%	5.6%	1.6%	1.5%
Total	45,000	72,000	36.0%	31.3%	9.0%	8.7%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$0.6875 (being the low-end of the indicative Offer Price range)						
Cornerstone Investors	Investment amount (HK\$) ('000)	Number of Offer Shares (rounded down to nearest whole board lot of 5,000 Shares) ('000)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Mr. Gao Chengjian	10,000	14,545	7.3%	6.3%	1.8%	1.8%
Mr. Lam Shing Tai	17,000	24,725	12.4%	10.8%	3.1%	3.0%
Mr. Lam Yuk	10,000	14,545	7.3%	6.3%	1.8%	1.8%
Mr. Tsang Keung	8,000	11,635	5.8%	5.1%	1.5%	1.4%
Total	45,000	65,450	32.7%	28.5%	8.2%	7.9%

Based on the Offer Price of HK\$0.75 (being the low-end of the indicative Offer Price range)						
Cornerstone Investors	Investment amount (HK\$) ('000)	Number of Offer Shares (rounded down to nearest whole board lot of 5,000 Shares) ('000)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Mr. Gao Chengjian	10,000	13,330	6.7%	5.8%	1.7%	1.6%
Mr. Lam Shing Tai	17,000	22,665	11.3%	9.9%	2.8%	2.7%
Mr. Lam Yuk	10,000	13,330	6.7%	5.8%	1.7%	1.6%
Mr. Tsang Keung	8,000	10,665	5.3%	4.6%	1.3%	1.3%
Total	45,000	59,999	30.0%	26.1%	7.5%	7.2%

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Mr. Gao Chengjian is a Hong Kong resident and an accountant registered in the PRC. He is currently an executive director of Shenzhen Shengdao Investment Company Limited* (深圳市勝道投資有限公司), a company incorporated in the PRC which is principally engaged in the business of investment consulting. Mr. Gao is also the chairman of Shenzhen Xinghang Logistics Development Company Limited* (深圳市興航物流發展有限公司), a company incorporated in the PRC which is principally engaged in the business of inland waterway logistics in the PRC. Mr. Gao and Mr. Ko are fellow townsmen. He decided to

CORNERSTONE INVESTORS

invest in our Company as he believes in our business prospect and that of the E&M engineering industry in Hong Kong. Mr. Gao's investment in our Company has been made out of personal funds.

Mr. Lam Shing Tai is a Hong Kong resident. He is the managing director of Wilson Group Holdings Limited (威譽控股集團有限公司), a company incorporated in Hong Kong which is principally engaged in provision of printing service. Mr. Lam Shing Tai and Mr. Ko are long-term friends. He decided to invest in our Company due to our reputation in the industry, business expansion, business prospect, and sound operations and management. Mr. Lam Shing Tai's investment in our Company has been made out of personal funds.

Mr. Lam Yuk is a Hong Kong resident. Mr. Lam is an executive director of Huali Plastic Products (Shenzhen) Company Limited* (華利塑膠製品(深圳)有限公司), a company incorporated in the PRC which is principally engaged in the production of plastic products. Mr. Lam Yuk and Mr. Ko are long-term friends. He decided to invest in our Company as he believes in the business prospect and development of the E&M engineering industry in Hong Kong. Mr. Lam Yuk's investment in our Company has been made out of personal funds.

Mr. Tsang Keung is a Hong Kong resident. He is a director of TNW International Co., Limited (東昇行國際有限公司), a company incorporated in Hong Kong which is principally engaged in the import and export of luxury watches and jewellery. Mr. Tsang Keung and Mr. Ko are fellow townsmen. He decided to invest in our Company due to our business expansion, and business prospect of us and the construction industry as a whole. Mr. Tsang's investment in our Company has been made out of personal funds.

As confirmed by our Directors, none of the Cornerstone Investors has received any direct or indirect benefit or preferential treatment other than a guaranteed allocation of the Offer Shares at the Offer Price.

Mr. Gao and Mr. Ko are both directors of Sunrise (China) Investment Limited (三和(中國)投資有限公司), a company incorporated in Hong Kong. Mr. Tsang and Mr. Ko are both directors of Hong Kong Pingtan Federation Limited (香港平潭同鄉總會有限公司), a company incorporated in Hong Kong. Save as aforesaid, to the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is independent from our Company, the connected persons of our Company and their respective associates, and independent from each other. The Cornerstone Investors will not subscribe for any Offer Shares under the Share Offer other than pursuant to their respective Cornerstone Investment Agreements as disclosed in this section. Immediately following the completion of the Share Offer and the Capitalisation Issue, the Cornerstone Investors will not have any board representation in our Company, and none of the Cornerstone Investors will become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investors is subject to, among others, the satisfaction of the following conditions precedent:

- (a) the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties) by no later than the respective time and dates specified therein;
- (b) the Offer Price having been agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters);
- (c) neither of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having been terminated;
- (d) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer, and such approval or permission not having been revoked prior to the commencement of dealing in our Shares on the Main Board;
- (e) no laws shall have been enacted or promulgated by any regulatory authorities which prohibit the consummation of the investment hereunder and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the investment hereunder; and
- (f) the respective warranties and undertakings of the Cornerstone Investors and our Company in the Cornerstone Investment Agreements are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors and our Company.

RESTRICTION ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed and has undertaken to our Company, the Sole Sponsor and the Sole Global Coordinator that unless he has obtained the prior written consent of our Company and the Sole Global Coordinator to do otherwise, he will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”):

- (a) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of our Shares purchased by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and any shares or other securities of our Company which are derived from our Shares or any interest therein, including but not limited to any convertibles, equity-linked securities and derivatives with underlying assets being our Shares (pursuant to any rights issue,

CORNERSTONE INVESTORS

capitalisation issue or other form of capital reorganisation) (the “**Relevant Shares**”) or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or
- (c) enter into any transaction directly or indirectly with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above, whether any of the foregoing transactions described in paragraphs (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

After expiration of the Lock-up Period, the Cornerstone Investors shall be free to dispose of any of the Relevant Shares under certain conditions as set out in the Cornerstone Investment Agreements, such as, among others, notifying our Company, the Sole Sponsor and the Sole Global Coordinator in writing prior to disposal of the Relevant Shares and ensuring that any such disposal is strictly in compliance with the applicable laws and regulations including the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules and the SFO and does not create a disorderly or false market of our Shares.

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PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator

Alpha Financial Group Limited

Joint Bookrunners

Alpha Financial Group Limited

Head & Shoulders Securities Limited

Joint Lead Managers

Alpha Financial Group Limited

Head & Shoulders Securities Limited

AFG Securities Limited

I Win Securities Limited

Co-lead Managers

Bluemount Securities Limited

ChaoShang Securities Limited

CIS Securities Asset Management Limited

Future Land Resources Securities Limited

Grand Moore Capital Limited

Grand Partners Securities Limited

Lego Securities Limited

Merdeka Capital Limited

Sinomax Securities Limited

Solomon Securities Limited

Yuzhou Financial Holdings Limited

UNDERWRITING

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

Grounds for Termination

The Joint Bookrunners, at their sole and absolute discretion, may, for themselves and on behalf of the Public Offer Underwriters, upon the giving of notice in writing to us and/or the other warrantors (including our Controlling Shareholders and all our executive Directors), terminate the Public Offer Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners that:
 - (i) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus, the Application Forms, or any other documents which have been approved by our Company issued or used by or on behalf of our Company in connection with the Share Offer (the “**Offer Documents**”) (including any supplement or amendment thereto) considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer, was, when it was issued, or has become, untrue, incomplete, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Joint Bookrunners, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
 - (iii) any of the representations, warranties, indemnities, agreements and undertakings given by our Company or the other warrantors in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in its sole and absolute opinion to be material in the context of the Share Offer; or
 - (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Joint Bookrunners or any of the Underwriters) to any of the Underwriting Agreements or the agreement between ourselves and the Joint Bookrunners (for themselves and on behalf of the Underwriters) to record our agreement of the Offer Price; or
 - (v) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of any member of our Group; or
 - (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
 - (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of our Company or the other warrantors pursuant to the indemnities given by us or any of the other warrantors in the Public Offer Underwriting Agreement; or
 - (ix) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political,

UNDERWRITING

- military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the Cayman Islands and the BVI or any other jurisdiction relevant to our Group (each a “**Relevant Jurisdiction**”); or
- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1) and swine influenza (H1N1)), in or affecting any of the Relevant Jurisdictions; or
 - (iv) 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 calamity or crisis in or affecting any of the Relevant Jurisdictions; or
 - (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange, or (B) a general moratorium of commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
 - (vi) any adverse change or development or event involving a prospective adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
 - (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
 - (viii) any adverse change or development or event involving a prospective adverse change in our Group’s assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

UNDERWRITING

- (ix) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (x) other than with the approval of the Joint Bookrunners, the issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Bookrunners materially adverse to the marketing for or implementation of the Share Offer; or
- (xi) a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of its subsidiaries make any compromise or arrangement with our Company's or any of its subsidiaries' creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of its subsidiaries or anything analogous thereto occurs in respect of our Company or any of its subsidiaries; or
- (xii) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of its subsidiaries or in respect of which our Company or any of its subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by our Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiii) any litigation or claim being threatened or instigated against our Company or any of its subsidiaries or our Controlling Shareholders,

and which, in any of the above cases and in the sole opinion of Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters):

- (1) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of our Company or its subsidiaries as a whole; or
- (2) has or may have or will have or is likely to have a material adverse effect on the success of the Share Offer and/or make it impracticable or inadvisable for any part of the Public Offer Underwriting Agreement, the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (3) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Public Offer and/or the Placing or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

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Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Share Offer (including the exercise of the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme) or in certain circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Joint Bookrunners, our Company and the Stock Exchange that he/she/it shall not, and shall procure that any other registered holder (if any) controlled by us shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (i) during the period commencing from the date of this prospectus up to and including the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that within the period commencing from the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (i) when he/she/it pledges or charges any Shares beneficially owned by he/she/it in favour of an 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 Shares so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that except pursuant to the Share Offer (including the issue of new Shares pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option, the grant of any options under the Share Option Scheme and the issue of new Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme) or as mentioned in this prospectus or with the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (which consent shall not be unreasonably withheld) and unless in compliance with the requirements of the Listing Rules (in particular Rules 10.08(1) to 10.08(4) of the Listing Rules), our Company shall not, and shall procure that its subsidiaries shall not, to (a) allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities); or (b) grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of our Company; or (c) repurchase Shares or other securities of our Company (except in compliance with the Listing Rules and the Code on Share Buy-backs); or (d) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares; or (e) offer to or agree to do any of the foregoing or announce any intention to do so, 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) and in the event of our Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, our Company will take all steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

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Undertakings by our Controlling Shareholders

Pursuant to the Public Offer Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to each of our Company and the Public Offer Underwriters that without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) (which consent shall not be unreasonably withheld) that:

- (i) in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date, he, she or it shall not directly or indirectly (except in connection with the Stock Borrowing Agreement or the exercise of the Over-allotment Option) and shall procure that the relevant registered holder(s) shall not:
 - (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or enter into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
 - (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or
 - (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
 - (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;
- (ii) within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, he/she/it shall not and shall procure that the relevant registered holders, shall not take any action as referred to in (i) (a) to (d) above, save as provided under note (2) to Rule 10.07(2) of the Listing Rules, if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company or cease to hold a controlling interest (that is to say, an interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer);

UNDERWRITING

- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
- (iv) without prejudice to paragraphs (i) and (ii) above, each of the Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, within the period from the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:
 - (a) when he/she/it pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which he/she/it is the beneficial owner, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and
 - (b) when he/she/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Sole Sponsor and the Joint Lead Managers in writing of such indications.

Public Offer Underwriters' interests in our Company

Save as disclosed in this prospectus and save for their interests and obligations under the Public Offer Underwriting Agreement, none of the Public Offer Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Public Offer Underwriting Agreement and Placing Underwriting Agreement.

UNDERWRITING

Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, severally, but not jointly, agree to procure subscribers to subscribe for or purchase the Placing Shares initially being offered pursuant to the Placing.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Joint Bookrunners on behalf of the Placing Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Public Offer, to require our Company to allot and issue up to and not more than 30,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover, among others, over-allocations in the Placing.

Commission

The Public Offer Underwriters will receive a commission of 10% of the aggregate Offer Price of the Public Offer Shares, out of which they will pay any sub-underwriting commission. In addition, the Sole Sponsor will receive a sponsorship, financial advisory and documentation fee in relation to the Share Offer. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$0.6875 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$0.625 and HK\$0.75), are estimated to amount to approximately HK\$37.5 million in total (assuming that the Over-allotment Option is not being exercised).

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

Ample Capital Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer comprises:

- (i) the Public Offer of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the section headed “Public Offer” below; and
- (ii) the Placing of an aggregate of 180,000,000 Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below) to professional, institutional and private investors.

Investors may apply for Offer Shares under the Public Offer or apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged issued share capital immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option in full as set out in the paragraph headed “Over-allotment Option” below.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves 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 Thursday, 10 October 2019 and in any event, not later than Tuesday, 15 October 2019.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.625 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer on

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Tuesday, 8 October 2019, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chittathk.com notices of reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or the 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. Before submitting applications for the Public Offer Shares, applicants should have regarded to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. 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.chittathk.com of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Bookrunners (for themselves 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 the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Share Offer will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the Placing and the results of application under the Public Offer and basis of allocation of the Public Offer Shares is expected to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.chittathk.com.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.75 per Offer Share and is expected to be not less than HK\$0.625 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$0.75 per Offer Share and 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK\$3,787.79 is payable for one board lot of 5,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$0.75 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 money) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon the following:

- the Listing Committee of the Stock Exchange granting 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 such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof;
- the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date; and
- the Offer Price having been determined and the execution of the agreement for such determination on or around the Price Determination Date, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If any of the conditions is not fulfilled or waived 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 paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving bank or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 200,000,000 Offer Shares will be made available under the Share Offer, of which 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 selected professional, institutional and private investors under the Placing. The remaining 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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to severally underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

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 selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Reallocation

The total number of Placing Shares to be transferred pursuant to the Placing may change as a result of the clawback arrangement described in the sub-section headed “The Public Offer — Reallocation and clawback”, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Public Offer Shares to the Placing.

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 its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Public Offer Shares under the Public Offer. Our Company, our Directors, the Sole Sponsor and the Joint Bookrunners (for themselves 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 Public Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” in this section.

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 being initially 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 Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.75 per Share plus a 1.0% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong. 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, such applicant’s application under the Public Offer is liable to be rejected.

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 10,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5 million or less (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon). The Public Offer Shares available in pool B will consist of 10,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of more than HK\$5 million (excluding brokerage, Stock Exchange trading fee and SFC transaction levy) 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 of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 50% of the Public Offer Shares initially available under pool A or pool B will 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.

STRUCTURE AND CONDITIONS OF THE SHARE 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 Joint Bookrunners. The Joint Bookrunners may in its discretion reallocate the Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In addition, if the Public Offer is not fully subscribed, the Joint Bookrunners may also in its discretion reallocate to the Placing all or any Public Offer Shares which are not subscribed.

Reallocation and Clawback

The allocation of Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Share Offer;
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 60,000,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Share Offer;
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 80,000,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Share Offer; and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more, the number of the Offer Shares initially available for subscription under the Public Offer then 80,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer Shares available under the Public Offer will be increased to 100,000,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Share Offer.

- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (x) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.625 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 40,000,000 Offer Shares.)

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant to the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging application under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) to allot and issue up to and not more than 30,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover over-allocations in the Placing. The Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Lightspeed or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 30,000,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued 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. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Share Offer, the Joint Bookrunners, as the stabilising managers, or its affiliates or any person acting for it, for themselves and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 30,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Lightspeed or through a combination of these means or otherwise. However, there is no obligation on the Joint Bookrunners, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Joint Bookrunners, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may take all or any of the following actions (“**primary stabilising action**”) with respect to any Shares during the stabilisation period, which should end on Thursday, 7 November 2019, being the 30th day after the last date for lodging application under the Public Offer:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares:
 - (i) allocate a greater number of Shares than the number that is initially offered under the Share Offer; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
 - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Joint Bookrunners (for themselves and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Joint Bookrunners will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Joint Bookrunners;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Public Offer on Thursday, 7 November 2019, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In connection with the Share Offer, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 30,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Joint Bookrunners may borrow up to 30,000,000 Shares from Lightspeed, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into with Lightspeed.

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Lightspeed will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Lightspeed or its nominees (as the case may be) within three business days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Lightspeed in relation to such stock borrowing arrangement.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** 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 Joint Bookrunners, 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 U.S. person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the names of the individual members. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person duly authorised under a power of attorney, the Joint Bookrunners may accept it at its discretion and on any conditions if it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

HOW TO APPLY FOR 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 of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- an associate of any of the above; and
- have been allocated or have applied for or indicated an interest in 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, 27 September 2019 to 12:00 noon on Tuesday, 8 October 2019 from:

- (a) any of the following offices of the Public Offer Underwriters:

Alpha Financial Group Limited

Room A, 17/F, Fortune House
61 Connaught Road Central
Central
Hong Kong

Head & Shoulders Securities Limited

Room 2511, 25/F Cosco Tower
183 Queen's Road Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

AFG Securities Limited

Room B, 17/F., Fortune House
61 Connaught Road Central
Central
Hong Kong

I Win Securities Limited

Room 1916
Hong Kong Plaza
188 Connaught Road West
Sai Wan
Hong Kong

Bluemount Securities Limited

Room 2403-05
Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

ChaoShang Securities Limited

Rooms 2206-2210, 22/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

CIS Securities Asset Management Limited

21/F, Centre Point
181-185 Gloucester Road
Wanchai
Hong Kong

Future Land Resources Securities Limited

Flat B, 20/F
Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan
Hong Kong

Grand Moore Capital Limited

Unit 1607, 16/F
Silvercord Tower 1
30 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Grand Partners Securities Limited

9/F
Connaught Harbourfront House
35-36 Connaught Road West
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

Lego Securities Limited

Room 301, 3/F
China Building
29 Queen's Road Central
Central
Hong Kong

Merdeka Capital Limited

Room 1108–1110, 11/F
Wing On Centre
111 Connaught Road
Central
Hong Kong

Sinomax Securities Limited

Room 2705–6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

Solomon Securities Limited

Unit 1705, 17/F
No. 148 Electric Road
North Point
Hong Kong

Yuzhou Financial Holdings Limited

Unit E, 6/F
Yardley Commercial Building
1–6 Connaught Road West
Sheung Wan
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Taikoo Shing Branch	Shop G1006 Hoi Shing Mansion Taikoo Shing Hong Kong
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F Mount Sterling Mall Mei Foo Sun Chuen Kowloon
New Territories	Tai Po Branch	68-70 Po Heung Street Tai Po Market New Territories
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road Yuen Long New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Tuesday, 8 October 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — ACCEL GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 27 September 2019	—	9:00 a.m. to 5:00 p.m.
Saturday, 28 September 2019	—	9:00 a.m. to 1:00 p.m.
Monday, 30 September 2019	—	9:00 a.m. to 5:00 p.m.
Wednesday, 2 October 2019	—	9:00 a.m. to 5:00 p.m.
Thursday, 3 October 2019	—	9:00 a.m. to 5:00 p.m.
Friday, 4 October 2019	—	9:00 a.m. to 5:00 p.m.
Saturday, 5 October 2019	—	9:00 a.m. to 1:00 p.m.
Tuesday, 8 October 2019	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 8 October 2019, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening and closing of the application lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and/or the Underwriters (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;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Articles of Association;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (f) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) 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;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) 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;
- (p) understand that, if (i) the Offer Shares under the Placing are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Public Offer represents 100% or more, but less than 15 times, of the number of Offer Shares initially available under Public Offer; or (ii) the Offer Shares under the Placing are not fully subscribed, and if the number of Offer Shares validly applied for in the Public Offer represents 100% or more of the number of Offer Shares initially available under the Public Offer, the Joint Bookrunners may, at their discretion, reallocate the Offer Shares initially allocated from the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the total number of Offer Shares available under the Public Offer shall not be increased to more than 40,000,000 Shares, representing double the number of Offer Shares initially available under the Public Offer and 20% of the total number of Offer Shares initially available under the Share Offer, and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.625 per Offer Share) stated in the prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (q) 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;
- (r) understand that our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (s) (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
- (t) (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 the paragraph headed “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** service at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 September 2019 until 11:30 a.m. on Tuesday, 8 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 8 October 2019 or such later time under the paragraph headed “10. Effect of bad weather on the opening and closing of the application lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for 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** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (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 (Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (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).

HOW TO APPLY FOR PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) 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;
- (b) 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;

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- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- **confirm** that you understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company 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

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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 (Chapter 32 of the Laws of Hong Kong) 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 (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

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- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 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:⁽¹⁾

Friday, 27 September 2019	—	9:00 a.m. to 8:30 p.m.
Monday, 30 September 2019	—	8:00 a.m. to 8:30 p.m.
Wednesday, 2 October 2019	—	8:00 a.m. to 8:30 p.m.
Thursday, 3 October 2019	—	8:00 a.m. to 8:30 p.m.
Friday, 4 October 2019	—	8:00 a.m. to 8:30 p.m.
Saturday, 5 October 2019	—	8:00 a.m. to 1:00 p.m.
Tuesday, 8 October 2019	—	8:00 a.m. 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 and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 27 September 2019 until 12:00 noon on Tuesday, 8 October 2019 (24 hours daily, except on Tuesday, 8 October 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 8 October 2019, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening and closing of the application lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 (Chapter 32 of the Laws of Hong Kong) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)).

Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the 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 Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any 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 with CCASS Phone System/CCASS Internet System for submission of **electronic application**

HOW TO APPLY FOR PUBLIC OFFER SHARES

instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 8 October 2019.

8. HOW MANY APPLICATIONS MAY 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**, 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.

HOW TO APPLY FOR PUBLIC OFFER 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** in respect of a minimum of 5,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 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 participants of the Stock Exchange, 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 — Determination of the Offer Price” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 8 October 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 8 October 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the 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 Thursday, 17 October 2019 on our Company’s website at www.chittathk.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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.chittathk.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 17 October 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result and www.hkeipo.hk/iporesult with a "search by ID or Business Registration Number" function on a 24-hour basis from 8:00 a.m. on Thursday, 17 October 2019 to 12:00 midnight on Wednesday, 23 October 2019;
- by telephone enquiry line by calling (852) 3691 8488, between 9:00 a.m. and 6:00 p.m. from Thursday, 17 October 2019 to Tuesday, 22 October 2019 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 17 October 2019 to Monday, 21 October 2019 at all the receiving bank's 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 THE PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 (Chapter 32 of the Laws of Hong Kong) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)) 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.

(b) If our Company, the Sole Sponsor, the Joint Bookrunners or our or their respective agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Joint Bookrunners, 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.

(c) 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 Offer 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 of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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;

HOW TO APPLY FOR PUBLIC OFFER 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, the Sole Sponsor, or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the 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\$0.75 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 the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 17 October 2019.

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 Offer 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the 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, the SFC transaction levy and the Stock Exchange trading fee) but without interest. Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 17 October 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 18 October 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(a) 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, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 October 2019 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Thursday, 17 October 2019, by ordinary post and at your own risk.

(b) 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. 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 Thursday, 17 October 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 17 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(c) 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.

(d) If you are applying as a CCASS investor participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 October 2019 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.

(e) 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 17 October 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "11. Publication of results" above on Thursday, 17 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of 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 Thursday, 17 October 2019. 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 Thursday, 17 October 2019.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(f) 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, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 October 2019 or such other date as notified by our Company on the website of the Stock Exchange at www.hkexnews.hk or the website of the Company at www.chittathk.com as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 17 October 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-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.

15. ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer 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 Offer Shares to be admitted into CCASS.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ACCEL GROUP HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Accel Group Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-3 to I-53, which comprises the consolidated statements of financial position of the Group at 31 March 2017, 2018 and 2019, the statement of financial position of the Company as at 31 March 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 March 2019 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-3 to I-53 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 September 2019 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of 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 Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2017, 2018 and 2019, the Company's financial position as at 31 March 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the Group in respect of the Track Record Period and states that no dividends have been declared or paid by the Company since its incorporation.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 September 2019

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, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 March		
		2017	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	193,635	210,804	312,732
Cost of services		<u>(148,574)</u>	<u>(153,513)</u>	<u>(231,718)</u>
Gross profit		45,061	57,291	81,014
Other income and expenses, net	7	4,530	674	2,121
Listing expenses		—	—	(11,395)
Administrative expenses		(12,777)	(14,445)	(14,850)
Finance costs	8	<u>(53)</u>	<u>(270)</u>	<u>(628)</u>
Profit before taxation	9	36,761	43,250	56,262
Income tax expense	11	<u>(5,456)</u>	<u>(7,181)</u>	<u>(10,867)</u>
Profit and total comprehensive income for the year		<u><u>31,305</u></u>	<u><u>36,069</u></u>	<u><u>45,395</u></u>
Earnings per share	13			
— Basic (<i>HK cents</i>)		<u><u>5.22</u></u>	<u><u>6.01</u></u>	<u><u>7.57</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 March		
		2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Non-current assets				
Property, plant and equipment	14	359	716	3,154
Right-of-use assets	17	2,580	2,329	2,483
Payments for life insurance	15	—	6,500	6,808
		<u>2,939</u>	<u>9,545</u>	<u>12,445</u>
Current assets				
Trade and other receivables, deposits and prepayments	16	12,541	19,870	35,211
Contract assets	18	44,722	76,246	67,842
Advances to a shareholder of the Company	19	76,836	—	—
Pledged bank balances	20	6,275	—	—
Bank balances and cash	20	<u>42,905</u>	<u>43,077</u>	<u>34,850</u>
		<u>183,279</u>	<u>139,193</u>	<u>137,903</u>
Current liabilities				
Trade, retention and bills payables and accruals	21	21,527	37,301	34,126
Amount due to a shareholder of the Company	19	—	9,876	—
Contract liabilities	18	31,051	23,798	692
Tax payable		16,578	15,083	5,982
Bank borrowings	22	—	9,779	1,459
Lease liabilities	23	<u>1,687</u>	<u>1,698</u>	<u>958</u>
		<u>70,843</u>	<u>97,535</u>	<u>43,217</u>
Net current assets		<u>112,436</u>	<u>41,658</u>	<u>94,686</u>
Total assets less current liabilities		115,375	51,203	107,131
Non-current liability				
Lease liabilities	23	<u>692</u>	<u>451</u>	<u>1,108</u>
Net assets		<u>114,683</u>	<u>50,752</u>	<u>106,023</u>
Capital and reserve				
Share capital	24	5,000	5,000	—*
Reserves		<u>109,683</u>	<u>45,752</u>	<u>106,023</u>
Total equity		<u>114,683</u>	<u>50,752</u>	<u>106,023</u>

* Amount less than HK\$1,000.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 March 2019 HK\$'000
Non-current asset		
Investment in a subsidiary	32	<u>77,266</u>
Current assets		
Prepaid listing expenses and issue costs	16	203
Deferred issue costs	16	<u>3,340</u>
		<u>3,543</u>
Current liabilities		
Due to a subsidiary	32	13,324
Accrued issue costs and listing expenses	21	<u>1,750</u>
		<u>15,074</u>
Net current liabilities		<u>(11,531)</u>
Net assets		<u><u>65,735</u></u>
Capital and reserve		
Share capital	24	—*
Share premium	24	77,266
Accumulated losses	24	<u>(11,531)</u>
Total equity		<u><u>65,735</u></u>

* Amount less than HK\$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	—*	—	(9,898)	88,568	78,670
Imputed interest income on non-current interest-free advances to a shareholder of the Company	—	—	(292)	—	(292)
Profit and total comprehensive income for the year	—	—	—	31,305	31,305
Issuance of share capital (<i>Note 24</i>)	<u>5,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,000</u>
At 31 March 2017	5,000	—	(10,190)	119,873	114,683
Profit and total comprehensive income for the year	—	—	—	36,069	36,069
Dividends recognised as distribution (<i>Note 12</i>)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(100,000)</u>	<u>(100,000)</u>
At 31 March 2018	5,000	—	(10,190)	55,942	50,752
Profit and total comprehensive income for the year	—	—	—	45,395	45,395
Issue of ordinary shares of the Company on date of incorporation (<i>Note 24</i>)	—*	—	—	—	—
Issue of ordinary shares of the Company for the Reorganisation as defined in note 2 (<i>Notes 2 and 24</i>)	(5,000)	77,266	(72,266)	—	—
Waiver of an amount due to a shareholder of the Company (<i>Note 19</i>)	<u>—</u>	<u>—</u>	<u>9,876</u>	<u>—</u>	<u>9,876</u>
At 31 March 2019	<u>—*</u>	<u>77,266</u>	<u>(72,580)</u>	<u>101,337</u>	<u>106,023</u>

* Amounts less than HK\$1,000.

Note: The other reserve arose from: (i) deemed distribution arising from the imputed interest income on non-current interest-free advances to a shareholder of the Company; (ii) issuance of ordinary shares of the Company for the Reorganisation (Notes 2 and 24); and (iii) deemed contribution arising from the waiver of an amount due to a shareholder of the Company (Note 19).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	36,761	43,250	56,262
Adjustments for:			
Depreciation of property, plant and equipment	161	299	263
Depreciation of right-of-use assets	1,050	2,091	1,823
Written off of property, plant and equipment, net	—	94	—
Interest income	(57)	(109)	(270)
Reversal of over-provision of tax penalty in respect of prior years	—	—	(1,485)
Imputed interest income on non-current interest-free advances to a shareholder of the Company	(3,659)	—	—
Interest income on payments for life insurance	—	—	(308)
Finance costs	53	270	628
Operating cash flows before movements in working capital	34,309	45,895	56,913
Increase in trade and other receivables, deposits and prepayments	(2,213)	(7,329)	(15,341)
Decrease (increase) in contract assets	3,363	(31,524)	8,404
Increase (decrease) in contract liabilities	544	(7,253)	(23,106)
(Decrease) increase in trade, retention and bills payables and accruals	(857)	15,774	1,344
Cash generated from operations	35,146	15,563	28,214
Hong Kong Profits Tax paid	(1,261)	(8,676)	(19,968)
Net cash from operating activities	33,885	6,887	8,246
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	—	(750)	(2,901)
Placements of fixed bank deposits with original maturity more than three months	(17,900)	(12,845)	(5,018)
Withdrawals of fixed bank deposits with original maturity more than three months	19,975	13,817	5,971
Release of pledged bank balances	15	6,275	—
Payments for life insurance	—	(6,500)	—
Advances to shareholders of the Company	(6,142)	(13,288)	—
Interest received	57	109	270
Net cash used in investing activities	(3,995)	(13,182)	(1,678)

	Year ended 31 March		
	2017	2018	2019
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCING ACTIVITIES			
New bank borrowings raised	—	10,119	10,690
Repayments of bank borrowings	—	(340)	(19,010)
Repayments of lease liabilities	(1,053)	(2,070)	(1,860)
Proceeds from issuance of share capital	5,000	—	—
Issue costs paid	—	—	(3,034)
Interest paid	(53)	(270)	(628)
Net cash from (used in) financing activities	<u>3,894</u>	<u>7,439</u>	<u>(13,842)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	33,784	1,144	(7,274)
Cash and cash equivalents at beginning of the year	<u>7,196</u>	<u>40,980</u>	<u>42,124</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
20	<u><u>40,980</u></u>	<u><u>42,124</u></u>	<u><u>34,850</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 20 September 2018. Its registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KYI-1108, Cayman Islands. The address of its principal place of business is located at Unit Nos. 709–711, 7/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

The Company is an investment holding company. The Company's principal operating subsidiary is Chit Tat Electrical Engineering Limited ("**Chit Tat**") which is principally engaged in provision of electrical and mechanical ("**E&M**") engineering services typically involving supply, installation and maintenance of (i) mechanical ventilation and air-conditioning system; (ii) electrical systems; and (iii) swimming pool, fountain and plumbing and drainage systems.

The Historical Financial Information is presented in Hong Kong Dollar ("**HK\$**"), which is the same as the functional currency of the Company and its subsidiaries.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Since the beginning of the Track Record Period, Chit Tat had been directly wholly owned by Mr. Ko Lai Hung ("**Mr. Ko**") and Ms. Cheung Mei Lan ("**Ms. Cheung**", who is the wife of Mr. Ko). Mr. Ko and Ms. Cheung are collectively referred to as the "**Spouse**".

In preparing of the listing of the Company's shares on the Stock Exchange, Chit Tat and other companies comprising the Group underwent the reorganisation (the "**Reorganisation**"), amongst others, as described below:

- (i) On 20 September 2018, Ascend Group Holdings Limited ("**Ascend**"), an investment holding company, was incorporated as a limited liability company under the laws of the British Virgin Islands ("**BVI**") and is authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the date of incorporation, Mr. Ko and Ms. Cheung subscribed for, and Ascend allotted and issued 70 and 30 ordinary shares of Ascend, respectively.
- (ii) On 20 September 2018, the Company was incorporated with an initial authorised ordinary share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On the date of incorporation, one share was allotted and issued, at par and credited as fully paid, to the initial subscriber, which was subsequently transferred to Mr. Ko on the same day at par and the Company further allotted and issued 69 and 30 ordinary shares at par, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. As a result, Mr. Ko and Ms. Cheung held 70 and 30 ordinary shares of the Company, representing 70% and 30% of the issued ordinary share capital of the Company, respectively.
- (iii) On 27 September 2018, as part of the Reorganisation, Ascend acquired 3,500,000 and 1,500,000 ordinary shares, representing the entire share capital of Chit Tat, from Mr. Ko and Ms. Cheung, respectively, in consideration of Ascend allotting and issuing 70 and 30 ordinary shares in Ascend, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. Upon completion of the transfer, Chit Tat became a wholly-owned subsidiary of Ascend.

- (iv) On 19 October 2018, Lightspeed Limited (“**Lightspeed**”) was incorporated in the BVI with limited liability that is authorised to issue up to a maximum of 50,000 ordinary shares of a single class without par value. Immediately after the incorporation, Lightspeed allotted and issued 70 and 30 ordinary shares to Mr. Ko and Ms. Cheung, representing 70% and 30% issued ordinary share capital of Lightspeed, respectively.
- (v) On 29 November 2018, Mr. Ko and Ms. Cheung (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Ko and Ms. Cheung agreed to transfer 140 and 60 ordinary shares of Ascend to the Company, in consideration of the Company allotting and issuing 70 and 30 ordinary shares of the Company, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. Accordingly, Chit Tat became an indirect wholly-owned subsidiary of the Company, and Mr. Ko and Ms. Cheung held 70% and 30% of the issued ordinary share capital of the Company, respectively.
- (vi) On 30 November 2018, Mr. Ko and Ms. Cheung (as transferors) transferred 140 and 60 ordinary shares of the Company to Lightspeed (as transferee), in consideration of Lightspeed allotting and issuing 70 and 30 ordinary shares of Lightspeed, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 November 2018 after Lightspeed, the Company and Ascend were interspersed between the Spouse and Chit Tat.

The Group comprising the Company and its subsidiaries resulting from the Reorganisation has been under the common control of the Spouse throughout the Track Record Period or since their respective dates of incorporation or acquisition, where there is a shorter period, and is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group for the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group are prepared as if the current group structure had been in existence throughout the Track Record Period, or from their respective dates of incorporation or acquisition, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2017 and 2018 are prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation or acquisition, where applicable.

In the opinion of the directors of the Company, Lightspeed is considered as the immediate and ultimate holding company of the Group after the completion of the Reorganisation on 30 November 2018.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the HKICPA which are effective for the Group’s accounting period beginning on 1 April 2018 throughout the Track Record Period, including HKFRS 15 *Revenue from Contracts with Customers*, except that the Group (i) adopted HKFRS 9 *Financial Instruments* on 1 April 2018 and HKAS 39 *Financial Instruments: Recognition and Measurement* for the three years ended 31 March 2018 and (ii) early adopted HKFRS 16 *Leases* throughout the Track Record Period. The accounting policies for financial instruments under HKFRS 9 and leases under HKFRS 16 are set out in note 4 below.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

The table below illustrates the classification and measurement of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original category amount under HKAS 39 <i>HK\$'000</i>	New carrying amount under HKFRS 9 <i>HK\$'000</i>
Payments for life insurance	Loans and receivables	Financial assets at amortised cost	6,500	6,500
Trade and other receivables and rental deposits	Loans and receivables	Financial assets at amortised cost	19,484	19,484
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	43,077	43,077
Trade, retention and bills payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	27,107	27,107
Amount due to a shareholder of the Company	Financial liabilities at amortised cost	Financial liabilities at amortised cost	9,876	9,876
Bank borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	9,779	9,779

The Group has not recognised additional impairment loss allowance upon the initial recognition of HKFRS 9 on 1 April 2018 as the amounts involved are insignificant.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ³
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

The management of the Group anticipates that the application of the above new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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 follow:

- Level 1 inputs are quoted price (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 and liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 consolidation.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Leases

The Group assesses whether a contract is or contains a lease, at inception of a contract.

The Group as lessor

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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all operating lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Leases payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualified 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRSs require or permit the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave) after deducting any amount already paid.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary 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 (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the 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 the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets 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.

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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, rental deposits, payments for life insurance, advances to a shareholder of the Company, pledged bank balances, bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of loans and receivables (before application of HKFRS 9 on 1 April 2018)

Loans and receivables of the Group are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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 average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly with the exception of trade and other 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 other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost and the amount of contract asset would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets (including trade and other receivables, rental deposits, payments for life insurance, advances to a shareholder of the Company, pledged bank balances, bank balances and cash) and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if: (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;

- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and other receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade, retention and bills payables, bank borrowings and amount due to a shareholder of the Company are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised 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 management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables and contract assets

Prior to the adoption of HKFRS 9, the management of the Group estimates the recoverability of trade receivables and contract assets based on objective evidence. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2017 and 2018, the carrying amounts of trade receivables and contract assets of the Group were HK\$12,293,000 and HK\$19,304,000, respectively (note 16) and HK\$58,212,000 and HK\$84,586,000, respectively (note 18).

Since the adoption of HKFRS 9 on 1 April 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the

contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2019, the carrying amounts of trade receivables and contract assets were HK\$29,418,000 (note 16) and HK\$70,923,000 (note 18), respectively.

No impairment in respect of trade receivables and contract assets was recognised during the Track Record Period.

6. REVENUE AND SEGMENT INFORMATION

Revenue of the Group arose from provision of E&M engineering services typically rendered in Hong Kong under long-term contracts and were recognised over time during the Track Record Period.

The customers of the Group are mainly landlords, construction companies and contractors in Hong Kong private sector. All the Group's provision of E&M engineering services is made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	As at 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Provision of E&M engineering services	<u>376,645</u>	<u>734,296</u>	<u>907,575</u>

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of E&M engineering services as at 31 March 2017, 2018 and 2019 has been/will be recognised as revenue in the subsequent one to three years.

The directors of the Group's principal subsidiary, Chit Tat, during the Track Record Period prior to becoming the executive directors of the Company, being the chief operating decision maker (the "CODM"), regularly review revenue recognised and costs incurred for the provision of E&M engineering services and, therefore, considered the Group has only one single reporting and operating segment under HKFRS 8 *Operating Segments*.

All the Group's revenue was earned from customers located in Hong Kong and all its non-current assets (other than financial instruments) are situated in Hong Kong.

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Customers A	52,986	N/A	N/A
Customers B	48,151	N/A	N/A
Customers C	34,465	34,441	N/A
Customers D	27,044	57,342	N/A
Customers E	N/A	N/A	58,627
Customers F	N/A	N/A	53,047

The revenue from the above customers marked with not applicable (“N/A”) represents their revenue contributions to the Group were less than 10% of the Group’s revenue in the relevant years.

7. OTHER INCOME AND EXPENSES, NET

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Rental income in respect of a carpark space	—	—	22
Management fee income (<i>Note (a)</i>)	326	120	—
Construction safety supervising service income	342	—	—
Insurance compensation for damaged works at site and staff injury	71	446	—
Interest income	57	109	270
Imputed interest income on non-current interest-free advances to a shareholder of the Company	3,659	—	—
Written off of property, plant and equipment	—	(94)	—
Reversal of over-provision of tax penalty in respect of prior years (<i>Note (b)</i>)	—	—	1,485
Interest income on payment for life insurance	—	—	308
Others	75	93	36
	<u>4,530</u>	<u>674</u>	<u>2,121</u>

Notes:

- (a) The management fee income mainly arose from the Group’s provision of office equipment and other office service.
- (b) Prior to the Track Record Period, the Group made provision of possible tax penalty for additional tax assessments of Chit Tat in respect of prior years. Details of the additional tax assessments are set out in note 11. In April 2019, the Inland Revenue Department (the “IRD”) confirmed that Chit Tat had no record of non-compliance on profits tax matters since its incorporation and the Group’s tax adviser considered that the payment of the tax penalty became remote, accordingly, such provision of tax penalty was reversed for the year ended 31 March 2019.

8. FINANCE COSTS

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings	—	179	562
Interest on lease liabilities	53	91	66
	<u>53</u>	<u>270</u>	<u>628</u>

9. PROFIT BEFORE TAXATION

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	161	299	263
Depreciation of right-of-use assets	1,050	2,091	1,823
Auditor's remuneration	300	400	400
Staff costs (including directors' remuneration as disclosed in note 10):			
— Salaries and allowances and discretionary bonus	43,333	45,674	58,099
— Retirement benefit scheme contributions	1,639	1,651	2,020
Total staff costs	<u>44,972</u>	<u>47,325</u>	<u>60,119</u>
Donations	<u>—</u>	<u>330</u>	<u>5</u>

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' emoluments and chief executive's emoluments

Details of the emoluments paid to the directors of the Company (being the emoluments for services as directors of the Group's principal operating subsidiary, Chit Tat, prior to becoming the directors of the Company) during the Track Record Period are as follows:

Year ended 31 March 2017

	Other emoluments				Total HK\$'000
	Fees HK\$'000	Salaries and other allowances HK\$'000	Discretionary bonus HK\$'000	Retirement benefit scheme contributions HK\$'000	
Executive directors:					
Mr. Ko	—	895	600	18	1,513
Ms. Cheung	—	408	309	17	734
	<u>—</u>	<u>1,303</u>	<u>909</u>	<u>35</u>	<u>2,247</u>

Year ended 31 March 2018

	Other emoluments			Retirement benefit scheme contributions	Total
	Fees	Salaries and other allowances	Discretionary bonus		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:					
Mr. Ko	—	2,160	180	18	2,358
Ms. Cheung	—	1,200	100	18	1,318
	—	3,360	280	36	3,676

Year ended 31 March 2019

	Other emoluments			Retirement benefit scheme contributions	Total
	Fees	Salaries and other allowances	Discretionary bonus		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:					
Mr. Ko	—	2,160	1,260	18	3,438
Ms. Cheung	—	1,200	300	18	1,518
Non-executive director:					
Mr. Ko Angus Chan Kit (“Mr. CK Ko”) (Note)	—	—	—	—	—
	—	3,360	1,560	36	4,956

Note: Mr. CK Ko was appointed as a non-executive director of the Company on 24 January 2019.

The emoluments of the above directors were paid for their services in connection with the management of the affairs of the companies now comprising the Group during the Track Record Period. Besides, the above directors are entitled to bonus payments which are determined with reference to individual performance of the relevant directors.

Mr. Ko was appointed as a director of the Company on 20 September 2018 and was appointed as chairman of the board of directors of the Company and the chief executive officer of the Company and was re-designated as an executive director on 24 January 2019. Ms. Cheung was appointed as a director of the Company on 20 September 2018 and was re-designated as executive director of the Company on 24 January 2019.

None of the directors nor the chief executive waived nor agreed to waive any emoluments during the Track Record Period.

Independent non-executive-directors' emoluments

Mr. Chan Cheong Tat, Ms. Tse Ka Wing and Mr. Ho Chi Shing were appointed as independent non-executive directors of the Company on 18 September 2019.

Employees' emoluments

The five highest paid individuals of the Group for each of the three years ended 31 March 2019 include 2, 2 and 2 directors respectively, details of whose emoluments are set out above. Details of the emoluments of the remaining 3, 3 and 3 highest paid individuals are as follows:

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Employees			
— Salaries and allowances	1,670	2,106	1,956
— Discretionary bonus (<i>Note</i>)	710	385	802
— Retirement benefit scheme contributions	54	54	54
	<u>2,434</u>	<u>2,545</u>	<u>2,812</u>

Note: The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

The emoluments of the remaining highest paid employees were within the following band:

	Year ended 31 March		
	2017 (No. of individuals)	2018 (No. of individuals)	2019 (No. of individuals)
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company, chief executive nor the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX EXPENSE

	Year ended 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax			
— Current year	<u>5,456</u>	<u>7,181</u>	<u>10,867</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for each of the three years ended 31 March 2019.

In December 2017, Chit Tat submitted its revised Hong Kong Profits Tax computations for the years of assessment 2011/12 to 2015/16 to the IRD primarily due to the under recognition of revenue made to its statutory financial statements for the years ended 31 March 2012 to 2016. The IRD assessed and issued additional tax assessments for the years of assessment 2012/13 to 2015/16 in May 2018 and March 2019 amounting to HK\$13,083,000 in aggregate that was fully paid in June 2018 and April 2019.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime was applicable to Chit Tat for the year ended 31 March 2019.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>36,761</u>	<u>43,250</u>	<u>56,262</u>
Tax charge at the applicable income tax rate at 16.5%	6,066	7,136	9,283
Tax effect of expenses not deductible for tax purpose	3	63	2,090
Tax effect of income not taxable for tax purpose	(613)	(18)	(341)
Income tax at concessionary rate	<u>—</u>	<u>—</u>	<u>(165)</u>
Income tax expense for the year	<u>5,456</u>	<u>7,181</u>	<u>10,867</u>

12. DIVIDENDS

During the year ended 31 March 2018, a total interim dividends of HK\$100,000,000 were declared and distributed by Chit Tat to its then shareholders, being Mr. Ko and Ms. Cheung, the directors and shareholders of the Company. The rate of dividend and number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of this report.

Save as disclosed above, the entities now comprising Group did not declare or pay any dividends to their shareholders during the Track Record Period.

No dividends have been declared or paid by the Company since its incorporation.

13. EARNINGS PER SHARE

	Year ended 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>31,305</u>	<u>36,069</u>	<u>45,395</u>
	<i>No. of shares</i>	<i>No. of shares</i>	<i>No. of shares</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined as 600,000,000 ordinary shares deemed to be issued as at 1 April 2016 on the assumption that the Reorganisation (as disclosed in note 2) and the capitalisation issue (as detailed in note 34 and as more fully explained in “Appendix IV — A. Further information about our Group — 5. Resolutions in writing of our sole Shareholder passed on 18 September 2019” to the Prospectus) had been effective on 1 April 2016.

No diluted earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	A carpark space <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2016 and 31 March 2017	—	375	867	1,242
Additions	—	320	430	750
Written off	—	(375)	—	(375)
At 31 March 2018	—	320	1,297	1,617
Additions	2,300	—	401	2,701
At 31 March 2019	2,300	320	1,698	4,318
DEPRECIATION				
At 1 April 2016	—	188	534	722
Provided for the year	—	93	68	161
At 31 March 2017	—	281	602	883
Provided for the year	—	160	139	299
Eliminated on written off	—	(281)	—	(281)
At 31 March 2018	—	160	741	901
Provided for the year	46	64	153	263
At 31 March 2019	46	224	894	1,164
CARRYING VALUES				
At 31 March 2017	—	94	265	359
At 31 March 2018	—	160	556	716
At 31 March 2019	2,254	96	804	3,154

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

A carpark space	3%
Leasehold improvements	50% or over the lease term
Furniture, fixtures and equipment	20%–30%

The Group's carpark space is situated in Hong Kong and was acquired with an unexpired rental lease agreement attached thereto and is pledged to secure the bank facility of the Group for the year ended 31 March 2019. The rental lease agreement expired in January 2019 and the carpark was then used by the Group.

15. PAYMENTS FOR LIFE INSURANCE

The Group

In November 2017, the Group paid premium for a life insurance policy (the “**Insurance Policy**”) to insure Ms. Cheung, the director of the Company. Under the Insurance Policy, the beneficiary and policy holder is the Group. At inception of the Insurance Policy, the Group paid a gross premium of HK\$6,500,000 by two instalments of HK\$3,250,000 each. The Group can terminate the Insurance Policy at any time and can receive cash at the date of termination based on the account value of the Insurance Policy (the “**Account Value**”), which is determined as the gross premium paid with the accrued returns (as further details set out below) after netting of the charges (including a surrender charge if the termination of the Insurance Policy is within the first policy year), if any, in accordance with the terms and conditions of the Insurance Policy.

The Group shall receive returns (with guaranteed minimum return at rates of 3.75%, 3% and 2% per annum for the first policy year, second policy year and third to tenth policy years, respectively) during the effective period of the Insurance Policy. Management of the Group has no intention to terminate the Insurance Policy within 12 months after the end of each of the reporting periods and, therefore, the amount is classified as non-current assets as at 31 March 2018 and 2019.

As at 31 March 2018 and 31 March 2019, the payments for life insurance is carried at amortised cost and the Insurance Policy was one of the assets pledged to a bank to secure general banking facilities granted to the Group.

The Group assesses that the payments for life insurance are at low credit risk because the balances are due from insurance company with good external credit rating, and ECL is insignificant.

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group			The Company
	As at 31 March			As at
	2017	2018	2019	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Trade receivables	12,293	19,304	29,418	—
Rental deposits (<i>Note</i>)	121	167	219	—
Other receivables	85	13	4	—
Prepayments for purchase of materials and subcontracting fee	—	8	731	—
Prepaid expenses	—	242	1,262	—
Prepaid listing expenses and issue costs	—	—	203	203
Deferred issue costs	—	—	3,340	3,340
Utility and other deposits	42	136	34	—
	<u>12,541</u>	<u>19,870</u>	<u>35,211</u>	<u>3,543</u>

Note: Included in the rental deposits as at 31 March 2018 and 2019 were amounts of HK\$106,000 and HK\$57,000 paid to Shing Chak Development Limited and Milan Development Limited which are wholly-owned by Mr. Ko and Ms. Cheung, the shareholders of the Company, respectively. The other rental deposits were paid to independent landlords.

Trade receivables represent amounts receivable for work certified after deduction of retention money.

The Group allows generally a credit period of 7 to 90 days to its customers. The following is an aged analysis of trade receivables of the Group presented based on dates of work certified by architects, surveyors or other representatives appointed by the customers, that approximate to the invoice date at the end of each reporting period.

	As at	As at 31 March		
	1 April	2017	2018	2019
	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	3,506	12,293	19,304	21,672
31 to 90 days	—	—	—	7,746
	<u>3,506</u>	<u>12,293</u>	<u>19,304</u>	<u>29,418</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for customers. Recoverability of the existing customers is reviewed by the management of the Group regularly.

As at 31 March 2017 and 2018, the Group's trade receivable balances were not yet past due.

No impairment was made for trade and other receivables and rental deposits as at 31 March 2017 and 2018. Since the adoption of HKFRS 9 on 1 April 2018, the Group has assessed impairment for its trade and other receivables and rental deposits on an individual basis based on internal credit rating. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. No lifetime ECL was made for trade receivables as at 1 April 2018 and 31 March 2019 because the Group's customers are mainly sizeable companies or contractors in Hong Kong with high credit rating and the Group assessed that the ECL on the balances is insignificant. Besides, in the opinion of the management of the Group, there has not been any significant increase in credit risk of other receivables and rental deposits and 12m ECL for other receivables and rental deposits as at 1 April 2018 and 31 March 2019 is insignificant.

17. RIGHT-OF-USE ASSETS

The Group

The tenure of the Group's lease arrangements for renting carpark space, office premises, warehouses and motor vehicles is mainly from two to five years for each of the three years ended 31 March 2019.

The lease arrangements for renting carpark space, office premises and warehouses usually allow early termination for the Group's giving one-month prior notice after twelve months from the commencement of the leases, otherwise, penalties, equivalent to one-month lease payment, is necessary.

In respect of the lease arrangements for renting motor vehicles, the Group has options to purchase the motor vehicles for nominal amounts at the end of the leases and there is no early termination options.

The Group's right-of-use assets in respect of lease arrangements for renting carpark space, office premises, warehouses and motor vehicles at the end of reporting period are as follows:

	Carpark space <i>HK\$'000</i>	Office premises <i>HK\$'000</i>	Warehouses <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2016	—	2,131	504	2,156	4,791
Additions	—	—	1,211	258	1,469
Expiration of lease contracts	—	—	(280)	—	(280)
At 31 March 2017	—	2,131	1,435	2,414	5,980
Additions	93	1,891	—	274	2,258
Expiration/early termination of lease contracts	—	(2,131)	(270)	—	(2,401)
At 31 March 2018	93	1,891	1,165	2,688	5,837
Additions	93	—	608	1,486	2,187
Expiration/early termination of lease contracts	(93)	—	(1,165)	—	(1,258)
At 31 March 2019	93	1,891	608	4,174	6,766

	Carpark space <i>HK\$'000</i>	Office premises <i>HK\$'000</i>	Warehouses <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
DEPRECIATION					
At 1 April 2016	—	521	338	1,771	2,630
Charge for the year	—	694	190	166	1,050
Expiration of lease contracts	—	—	(280)	—	(280)
At 31 March 2017	—	1,215	248	1,937	3,400
Charge for the year	8	1,172	686	225	2,091
Expiration/early termination of lease contracts	—	(1,678)	(305)	—	(1,983)
At 31 March 2018	8	709	629	2,162	3,508
Charge for the year	39	946	557	281	1,823
Expiration/early termination of lease contracts	(47)	—	(1,001)	—	(1,048)
At 31 March 2019	—	1,655	185	2,443	4,283
CARRYING VALUES					
At 31 March 2017	—	916	1,187	477	2,580
At 31 March 2018	85	1,182	536	526	2,329
At 31 March 2019	93	236	423	1,731	2,483

For each of the three years ended 31 March 2019, there were additions to right-of-use assets of HK\$1,469,000, HK\$2,258,000 and HK\$2,187,000 respectively, mainly due to new leases of carpark space, office premises, warehouses and motor vehicles.

For each of the three years ended 31 March 2019, expenses relating to short-term leases amounting to HK\$18,000, HK\$39,000 and HK\$78,000, respectively, was recognised. The lease commitments for the short-term leases were HK\$18,000, HK\$nil and HK\$90,000 respectively, as at 31 March 2017, 2018 and 2019.

For each of the three years ended 31 March 2019, the total cash payments for the Group's lease arrangements (including both short-term leases and repayments of lease liabilities) amounting to HK\$1,071,000, HK\$2,109,000 and HK\$1,938,000, respectively.

18. CONTRACT ASSETS AND LIABILITIES

The Group

Contract assets as at 1 April 2016, 31 March 2017, 2018 and 2019 amounting to HK\$61,700,000, HK\$58,212,000, HK\$84,586,000 and HK\$70,923,000, respectively, represent the Group's rights to considerations from customers for the provision of E&M engineering services, which arise when: (i) the Group completed the relevant services under such contracts but yet certified by architects, surveyors or other representatives appointed by the customers; and (ii) the customers withhold certain certified amounts payable to the Group as retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and is invoiced to the customer.

No impairment was made for contract assets as at 1 April 2016 and 31 March 2017 and 2018. Since the adoption of HKFRS 9 on 1 April 2018, the Group has assessed impairment for its contract assets on an individual basis based on internal credit rating. ECL is estimated based on historical observed default rates over the expected life of debtors and are adjusted for forward-looking information that is available without undue cost or effort. No lifetime ECL was made for contract assets as at 1 April 2018 and 31 March 2019 because the Group's customers are mainly sizeable companies or contractors in Hong Kong with high credit rating and the Group assessed that the ECL on the balances is insignificant.

Contract liabilities as at 1 April 2016, 31 March 2017, 2018 and 2019 amounting to HK\$44,122,000, HK\$44,541,000, HK\$32,138,000 and HK\$3,773,000, respectively, represent the Group's obligation to transfer of E&M engineering services to customers for which the Group has received advance payments from the customers and the contract liabilities as at 1 April 2016 and 31 March 2017 have been recognised as revenue for the years ended 31 March 2017 and 2018, respectively.

Included in contract liabilities as at 31 March 2018 was an amount of HK\$30,599,000, which has been recognised as revenue for the year ended 31 March 2019. The remaining contract liabilities as at 31 March 2018 and the contract liabilities as at 31 March 2019 will be recognised as revenue for the year ending 31 March 2020.

Included in the carrying amounts of contract assets of the Group were contract assets (including retention receivables) aggregating to HK\$13,615,000, HK\$13,490,000, HK\$8,340,000 and HK\$3,081,000 as at 1 April 2016, 31 March 2017, 2018 and 2019, respectively, which are related to the same contract of contract liabilities and are accounted for and presented on a net basis on the consolidated statements of financial position.

Changes of contract assets during the Track Record Period were mainly due to: (1) changes in retention receivables as a result of an increase in number of ongoing and completed contracts under the defects liability period during the Track Record Period; and (2) changes in the size of contract works that the relevant services were completed but yet been certified by architects, surveyors or other representatives appointed by the customers at the end of each reporting period.

Changes of contract liabilities during the Track Record Period were mainly due to: (1) recognition of contract liabilities as revenue during the Track Record Period; and (2) changes in customers in which there is decrease in amount of advance payments received from the customers.

The Group's contracts with customers normally require it to perform the obligations (including, amongst others, primarily rectification of defects identified) under the contracts during the defects liability period generally for 12 to 24 months after issuance of practical completion certificates by customers. 5% to 10% of each interim payment from the customers is usually withheld by the customers as retention receivables in which 50% of the retention receivable is released upon issuance of practical completion certificates, and the remaining 50% of the retention receivable is released upon expiry of the defects liability period set out in the relevant contracts. The retention receivables are to be settled at the end of each reporting period as follows:

	As at 1 April 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	500	694	11,631	9,268
After one year	<u>17,152</u>	<u>26,860</u>	<u>20,748</u>	<u>28,488</u>
	<u>17,652</u>	<u>27,554</u>	<u>32,379</u>	<u>37,756</u>

19. BALANCES WITH SHAREHOLDERS OF THE COMPANY**The Group**

At the end of each reporting period, the advances to a shareholder of the Company, Mr. Ko, were unsecured, non-trade nature, interest-free and were settled by offsetting the Group's dividends declared during the year ended 31 March 2018 (note 27(b)). Imputed interest income on non-current interest-free advances to a shareholder of the Company amounting to HK\$3,659,000 was recognised for the year ended 31 March 2017.

Maximum amounts outstanding due from shareholders of the Company during the Track Record Period are as follows:

	As at	As at 31 March		
	1 April	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Ko	70,694	76,836	86,421	—
Ms. Cheung	<u>—</u>	<u>—</u>	<u>3,703</u>	<u>—</u>

The amount due to a shareholder of the Company, being Mr. Ko, as at 31 March 2018 was unsecured, non-trade nature, interest-free and repayable on demand.

In March 2019, Mr. Ko agreed to waive the Group's amounts due to him amounting to HK\$9,876,000 which was accounted for as deemed contribution in the Group's equity.

20. PLEDGED BANK BALANCES, BANK BALANCES AND CASH**The Group**

	As at 31 March		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank balance and cash	42,905	43,077	34,850
Less: Fixed deposits with original maturity more than three months	<u>(1,925)</u>	<u>(953)</u>	<u>—</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>40,980</u>	<u>42,124</u>	<u>34,850</u>

The Group's pledged bank balances as at 31 March 2017 were secured for the grant of bank facilities to the Group by a bank which renewed the bank facilities and released the pledged bank balances during the year ended 31 March 2018. Further details are set out in note 29.

Included in the Group's bank balances and cash were fixed deposits with banks aggregating to HK\$4,979,000, HK\$25,023,000 and nil as at 31 March 2017, 2018 and 2019, respectively, which carried interest at rates ranging from 0.37% to 0.80% per annum and from 0.01% to 1.09% per annum respectively. The pledged bank balances and the other bank balances carried interest at prevailing market interest rate at 0.001% as at 31 March 2017, 2018 and 2019.

The Group assesses that its pledged bank balances and bank balances (including the fixed deposits) are at low credit risk because they are placed with reputable banks with good external credit rating, and ECL is insignificant.

21. TRADE, RETENTION AND BILLS PAYABLES AND ACCRUALS

	The Group			The Company
	As at 31 March			As at
	2017	2018	2019	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Trade payables	6,523	20,523	17,646	—
Bills payables	—	1,660	—	—
Retention payables	4,106	4,924	5,821	—
Accrued issue costs and listing expenses	—	—	1,750	1,750
Accrual	10,898	10,194	8,909	—
	<u>21,527</u>	<u>37,301</u>	<u>34,126</u>	<u>1,750</u>

The bills payables represent payables for materials for E&M engineering services under letter of credit issued under bank facilities granted to the Group by a bank. The bank facilities are secured by the Insurance Policy, certain properties held by Mr. Ko and Ms. Cheung, personal guarantees of Mr. Ko and Ms. Cheung in favour of the bank and the carpark space of the Group. Further details are set out in note 29.

The following is an aged analysis of trade and bills payables of the Group based on the invoice date at the end of each reporting period:

	As at 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
0 to 30 days	4,762	22,168	17,629
31 to 90 days	1,761	10	17
91 to 180 days	—	5	—
	<u>6,523</u>	<u>22,183</u>	<u>17,646</u>

The credit period of trade payables granted by the Group's suppliers are usually within 60 days.

The Group usually retains 5% to 10% of each interim payment to its subcontractors providing services to the Group as retention payables. According to the relevant contracts with these subcontractors, 50% of the retention payable is usually released upon handing over of the residential units to respective owners by the developers for residential units projects and completion of services under contracts for other projects, with the remaining 50% of the retention payable to be released after six months of the first payment of the retention payable. The retention payables of the Group are to be settled at the end of the reporting period as follows:

	As at 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Within six months	522	489	975
Within a period of more than six months but not exceeding one year	691	2,065	1,123
Within a period of more than one year	<u>2,893</u>	<u>2,370</u>	<u>3,723</u>
	<u>4,106</u>	<u>4,924</u>	<u>5,821</u>

22. BANK BORROWINGS

The Group

The Group's bank borrowings as at 31 March 2018 and 31 March 2019 were lent by one bank and two banks, respectively, under their bank facilities granted to the Group. The bank facilities are secured by personal guarantees of Mr. Ko and Ms. Cheung in favour of the banks and their certain properties and the Group's carpark space, Insurance Policy and pledged bank balance. Further details are set out in note 29.

According to the relevant bank facilities letters, the above bank borrowings of the Group are payable as follows:

	As at 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Within one year	—	417	976
Within a period of more than one year but not exceeding two years	—	425	136
Within a period of more than two years but not exceeding five years	—	1,335	347
Within a period of more than five years	<u>—</u>	<u>7,602</u>	<u>—</u>
	<u>—</u>	<u>9,779</u>	<u>1,459</u>

Notwithstanding the provisions stated in the relevant bank facilities, the bank facilities granted by a bank are repayable on demand by the bank which has the overriding right at any time to require immediate payment of all principal, interest, fees and other amounts outstanding under the bank facilities letter or any part thereof and/or to require cash collateralisation of all or any sum actually or contingently owing to it under the bank facilities; and the bank facilities granted by another bank may be modified, cancelled or suspended, at any time without prior notice, at the sole discretion of such bank that including, without limitation, cancelling any unutilised facilities and declaring any outstanding amount to be immediately due and payable. Accordingly, the above bank borrowings were classified as current liabilities as at 31 March 2018 and 2019.

The bank borrowings as at 31 March 2018 and 2019 bore variable interest rate at 3.1% per annum below Hong Kong Prime Rate quoted by the relevant bank and variable interest rate at 1.5%–3.1% per annum below Hong Kong Prime Rate quoted by the relevant banks, respectively. As at 31 March 2018 and 2019, the weighted average interest rates of bank borrowings are 2.15% per annum and 2.98% per annum, respectively.

23. LEASE LIABILITIES

The Group

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Non-current	692	451	1,108
Current	<u>1,687</u>	<u>1,698</u>	<u>958</u>
	<u><u>2,379</u></u>	<u><u>2,149</u></u>	<u><u>2,066</u></u>

Maturity analysis

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Within one year	1,687	1,698	958
Within a period of more than one year but not exceeding two years	600	451	491
Within a period of more than two years but not exceeding five years	<u>92</u>	<u>—</u>	<u>617</u>
	<u><u>2,379</u></u>	<u><u>2,149</u></u>	<u><u>2,066</u></u>

Minimum lease payments due:

	As at 31 March		
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
Within one year	1,766	1,757	1,043
Within a period of more than one year but not exceeding two years	620	471	542
Within a period of more than two years but not exceeding five years	<u>95</u>	<u>—</u>	<u>655</u>
	2,481	2,228	2,240
Less: Future finance charges	<u>(102)</u>	<u>(79)</u>	<u>(174)</u>
	<u><u>2,379</u></u>	<u><u>2,149</u></u>	<u><u>2,066</u></u>

The Group does not expose to a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

24. SHARE CAPITAL AND RESERVES OF THE COMPANY**Share capital***The Group*

The share capital as at 1 April 2016, 31 March 2017 and 2018 represented the share capital of Chit Tat. During the year ended 31 March 2017, Chit Tat issued and allotted 3,499,930 and 1,499,970 new ordinary shares, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively, for cash.

On 20 September 2018, Ascend, an investment holding company, was incorporated as a limited liability company under the laws of the BVI and is authorised to issue a maximum of 50,000 ordinary shares of a single class without par value. On the date of incorporation, Mr. Ko and Ms. Cheung subscribed for, and Ascend allotted and issued 70 and 30 ordinary shares of Ascend at a consideration of HK\$0.01 each, all credited as fully paid, to each of them, respectively.

On 27 September 2018, as part of the Reorganisation, Ascend acquired 3,500,000 and 1,500,000 ordinary shares, representing the entire share capital of Chit Tat, from Mr. Ko and Ms. Cheung, respectively, in consideration of Ascend allotting and issuing 70 and 30 ordinary shares in Ascend, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. Upon completion of the transfer, Chit Tat became a wholly-owned subsidiary of Ascend.

The share capital as at 31 March 2019 represented the share capital of the Company.

The Company

On 20 September 2018, the Company was incorporated with limited liability with an initial authorised ordinary share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each. On the date of incorporation, one share was allotted and issued, at par and credited as fully paid, to the initial subscriber, which was subsequently transferred to Mr. Ko on the same day at a consideration of HK\$0.01. On the same day, the Company further allotted and issued 69 and 30 ordinary shares at par, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

On 29 November 2018, Mr. Ko and Ms. Cheung (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement, pursuant to which Mr. Ko and Ms. Cheung agreed to transfer 140 and 60 ordinary shares of Ascend to the Company, in consideration of the Company allotting and issuing 70 and 30 ordinary shares of the Company, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

On 30 November 2018, Mr. Ko and Ms. Cheung (as transferors) transferred 140 and 60 ordinary shares of the Company to Lightspeed (as transferee), in consideration of Lightspeed allotting and issuing 70 and 30 ordinary shares of Lightspeed, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.

On 18 September 2019, the authorised ordinary share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of a par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new ordinary shares of a par value of HK\$0.01 each.

Reserves of the Company

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK'000</i>
On 20 September 2018 (date of incorporation)	—	—	—
Issue of ordinary shares of the Company for the Reorganisation (<i>Note</i>)	77,266	—	77,266
Loss and total comprehensive expenses for the period	—	(11,531)	(11,531)
At 31 March 2019	<u>77,266</u>	<u>(11,531)</u>	<u>65,735</u>

Note: The amount represents the difference between: (i) the nominal value of 100 ordinary shares of the Company issued to Mr. Ko and Ms. Cheung on 29 November 2018; and (ii) the consolidated net asset value of Ascend for transferring the entire share capital of Ascend to the Company for the purpose of the Reorganisation as set out in note 2 in details.

25. PERFORMANCE GUARANTEES**The Group**

As at 31 March 2017, 2018 and 2019, performance bonds of HK\$11,450,000, HK\$85,000 and HK\$32,483,000, respectively, were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the bank to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such bank accordingly. The performance guarantees will be released upon completion of the E&M engineering services. The performance guarantees were granted under the bank facilities of the Group which were secured by personal guarantees given by Mr. Ko and Ms. Cheung and their properties.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The Group

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Interest payable HK\$'000	Dividend payable HK\$'000	Lease liabilities HK\$'000	Bank borrowings HK\$'000	Accrued issue costs HK\$'000	Amount due to a shareholder of the Company HK\$'000	Total HK\$'000
At 1 April 2016	—	—	1,963	—	—	—	1,963
<i>Cash changes:</i>							
Interest paid	—	—	(53)	—	—	—	(53)
Repayments of lease liabilities	—	—	(1,053)	—	—	—	(1,053)
<i>Non-cash changes:</i>							
Finance costs recognised	—	—	53	—	—	—	53
Additions of lease contracts	—	—	1,469	—	—	—	1,469
At 31 March 2017	—	—	2,379	—	—	—	2,379
<i>Cash changes:</i>							
Interest paid	(179)	—	(91)	—	—	—	(270)
New bank borrowings raised	—	—	—	10,119	—	—	10,119
Repayments of bank borrowings	—	—	—	(340)	—	—	(340)
Repayments of lease liabilities	—	—	(2,070)	—	—	—	(2,070)
<i>Non-cash changes:</i>							
Finance costs recognised	179	—	91	—	—	—	270
Dividend declared	—	100,000	—	—	—	—	100,000
Non-cash transaction (Note 27(b))	—	(100,000)	—	—	—	9,876	(90,124)
Additions of lease contracts	—	—	2,258	—	—	—	2,258
Early termination of lease contracts	—	—	(418)	—	—	—	(418)
At 31 March 2018	—	—	2,149	9,779	—	9,876	21,804
<i>Cash changes:</i>							
Interest paid	(562)	—	(66)	—	—	—	(628)
New bank borrowings raised	—	—	—	10,690	—	—	10,690
Repayments of bank borrowings	—	—	—	(19,010)	—	—	(19,010)
Repayments of lease liabilities	—	—	(1,860)	—	—	—	(1,860)
Issue costs paid	—	—	—	—	(3,034)	—	(3,034)
<i>Non-cash changes:</i>							
Finance costs recognised	562	—	66	—	—	—	628
Issue costs accrued	—	—	—	—	3,340	—	3,340
Non-cash transaction (Note 27(c))	—	—	—	—	—	(9,876)	(9,876)
Additions of lease contracts	—	—	1,987	—	—	—	1,987
Early termination of lease contracts	—	—	(210)	—	—	—	(210)
At 31 March 2019	—	—	2,066	1,459	306	—	3,831

27. MAJOR NON-CASH TRANSACTIONS

During the Track Record Period, the Group had the following major non-cash transactions:

- (a) During the years ended 31 March 2017, 2018 and 2019, the Group entered into rental agreements of office premises, carpark space and warehouse and lease agreements of motor vehicles that increases its right-of-use assets by HK\$1,469,000, HK\$2,258,000 and HK\$2,187,000 respectively.
- (b) During the year ended 31 March 2018, total dividends of HK\$100,000,000 were declared, of which HK\$60,124,000 and HK\$3,703,000 were settled by offsetting the Group's same amounts due from Mr. Ko and Ms. Cheung, respectively. Besides, Ms. Cheung assigned her dividend receivable of HK\$26,297,000 due from the Group to Mr. Ko for offsetting the same amount of his amount due from the Group. The remaining balance of HK\$9,876,000 dividend payable to Mr. Ko was included in amount due to a shareholder of the Company as set out in note 19.
- (c) During the year ended 31 March 2019, Mr. Ko agreed to waive the Group's amount due to him amounting to HK\$9,876,000 which was accounted for as deemed contribution in the Group's equity.

28. RETIREMENT BENEFITS SCHEME

The Group has joined the MPF Scheme which is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and the employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Under the MPF Scheme, there will not be any forfeited contribution available to reduce the contribution payable by the Group.

The Group's retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss as set out in note 9 represent contributions payable to the funds by the Group at the rates specified in the rules of the scheme.

29. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in notes 10, 12, 15, 16, 19, 20, 21, 22, 24, 25 and 27, the Group had the following transactions with related parties during the Track Record Period:

	Year ended 31 March		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Subcontracting charges paid to Shun Tat Air Conditioning Engineering Company, a company controlled by a grandson of the uncle of Mr. Ko	3,431	3,296	6,156
Subcontracting charges and information technology maintenance service fees paid to Yuk Shing Advertising & Decoration Engineering Co., a company controlled by a brother of Mr. Ko	926	1,627	1,374
Subcontracting charges paid to a sister of Ms. Cheung	36	22	—
Subcontracting charges paid to a brother of Mr. Ko	100	—	—
Purchases of construction materials from Mibuka Denki Electrical Controls Limited, a company controlled by Mr. Ko	260	109	221
Purchases of construction materials from Chit Shing Air Conditioning Trading Limited, a company controlled by a grandson of the uncle of Mr. Ko	—	3,304	12,670
Rental expenses paid to Shing Chak Development Limited, a company wholly-owned by Mr. Ko	—	477	636
Rental expenses paid to Milan Development Limited, a company wholly-owned by Ms. Cheung	—	254	339

The above transactions were conducted in accordance with the terms of the relevant agreements.

(b) Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of Company (being the emoluments for services as directors of the Group's principal operating subsidiary, Chit Tat, prior to becoming the directors of the Company) during the Track Record Period, which is disclosed in note 10.

- (c) As at 31 March 2017, 2018 and 2019, the Group was granted bank facilities for obtaining bank borrowings (note 22), issuing bills payable to suppliers (note 21) and giving performance guarantees to its customers (note 25). Apart from the carpark space (note 14), the Insurance Policy (note 15) and pledged bank balances (note 20) of the Group, these bank facilities are also secured by personal guarantees of Mr. Ko and Ms. Cheung and their certain properties at nil consideration.
- (d) During the year ended 31 March 2018, total dividends of HK\$100,000,000 were declared, of which HK\$60,124,000 and HK\$3,703,000 were settled by offsetting the Group's same amounts due from Mr. Ko and Ms. Cheung, respectively.
- (e) During the year ended 31 March 2018, Ms. Cheung assigned her dividend receivable of HK\$26,297,000 due from the Group to Mr. Ko for offsetting the same amount of his amount due from the Group.
- (f) For each of the three years ended 31 March 2019, the staff costs of the Group included those of employees who are a nephew and a niece of Mr. Ko and brothers, a brother-in-law, a nephew and nieces of Ms. Cheung amounting HK\$1,893,000, HK\$2,617,000 and HK\$3,048,000, respectively, in aggregate.
- (g) During the year ended 31 March 2019, Mr. Ko agreed to waive the Group's amount due to him amounting to HK\$9,876,000

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank borrowings and lease liabilities disclosed in notes 22 and 23 respectively, net of pledged bank balances, bank balances and cash disclosed in note 20, and equity attributable to owners of the Company, comprising issued share capital, share premium and retained profits.

The Group is not subject to any externally imposed capital requirements.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or repayment of existing debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company
	As at 31 March			As at
	2017	2018	2019	31 March
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Financial assets				
Loans and receivables (including pledged bank balances, bank balances and cash)	138,515	69,061	N/A	N/A
Financial assets at amortised cost	N/A	N/A	71,299	—
Financial liabilities				
Financial liabilities at amortised cost	10,629	46,762	26,676	15,074

Financial risk management objectives and policies

The Group's major financial instruments include payments for life insurance, trade and other receivables, rental deposits, advances to a shareholder of the Company, pledged bank balances, bank balances and cash, trade, retention and bills payables, amount due to a shareholder of the Company and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's operations expose it to a number of financial risks: principally the interest rate risk, the credit risk and the liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 20 and 22, respectively, for details of these balances). Fixed bank deposits and lease liabilities at fixed interest rate exposed the Group of fair value interest rate risk. The Group does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points increase or decrease in the interest rate applied on the Group's bank borrowings respectively is used

which represents management's assessment of the reasonably possible change in interest rate and the relevant impact of interest rate on pledged bank balances and bank balances is ignored as it is not significant to this analysis.

If interest rate on bank borrowings had been 25 basis points higher/lower and all of other variables were held constant, the post-tax profit for each of the three years ended 31 March 2019 would approximately decrease/increase by Nil, HK\$20,000 and HK\$3,000 respectively.

Credit risk

At the end of each reporting period, the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position of the Group best represents 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.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of 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 management of the Group considers that the Group's credit risk is significantly reduced.

Since the adoption of HKFRS 9 on 1 April 2018, the Group has estimated the ECL for its payments for life insurance, pledged bank balances and bank balances, trade and other receivables, rental deposits and contract assets based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Details of the ECL for pledged bank balances and bank balances, trade and other receivables and rental deposits, payments for life insurance and contract assets are set out in notes 20, 16, 15 and 18, respectively.

The credit risk on the pledged bank balances and bank balances and payments for life insurance is minimal as such amounts are placed in banks and due from insurance company, respectively, with good reputation and good internal and external credit rating.

The credit risk on advances to a shareholder of the Company is minimal having considered the subsequent settlement and financial ability of the shareholder of the Company.

For assessment of the ECL of the Group's financial assets and contract assets, the Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and contract assets	Other receivables/ Rental deposits/ Bank balances
Level 1	The counterparty has great ability of repayment, low risk of default and has no history of impairment loss.	Lifetime ECL — not credit-impaired	12 month ECL
Level 2	The counterparty has good ability of repayment, which may be influenced by macro environment and economic situation.	Lifetime ECL — not credit-impaired	12 month ECL
Level 3	The counterparty has enough ability of repayment, but settles after due date infrequently.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Level 4	The counterparty has rare ability of repayment, and there is potential chance of default.	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Level 5	The counterparty has no ability to repay its debts and the receivable is not expected to be collectable	Amount is written off	Amount is written off

The table below details the credit risk exposures of the Group's payments for the insurance, bank balances, trade and other receivable, rental deposits and contract assets as at 31 March 2019, which subject to ECL assessment:

Financial assets at amortised cost	12m or lifetime ECL	Internal credit rating	Gross carrying amount HK\$'000
Trade receivables	Lifetime ECL (not credit impaired)	Level 1 Level 2 Level 3	15,905 13,001 512
Contract assets	Lifetime ECL (not credit impaired)	Level 1 Level 2 Level 3	34,683 27,996 5,163
Other receivables	12m ECL	Level 3	4
Rental deposits	12m ECL	Level 2	219
Bank balances	12m ECL	Level 1	34,850
Payments for life insurance	12m ECL	Level 1	<u>6,808</u>

The Group has concentration risk on its top five customers which accounted for 87.8%, 70.0% and 61.1% of its revenue for each of the three years ended 31 March 2019, respectively. Besides, the Group also has concentration of credit risk because 90.1%, 70.0% and 38.1% of trade receivables as at 31 March 2017, 2018 and 2019 were due from the Group's top five customers. The Group's top five customers are sizeable and reputable companies. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers the Group's credit risk is significantly reduced.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings, as appropriate.

The following tables detail the Group's remaining contractual maturity for its financial liabilities according to the terms of the relevant contracts/agreements. The tables have 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 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 tables include both interest and principal cash flows.

	Weighted average interest rate %	On demand or within six months HK\$'000	Six months to one year HK\$'000	More than one year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
The Group						
As at 31 March 2017						
Trade and retention payables	N/A	<u>7,045</u>	<u>824</u>	<u>2,760</u>	<u>10,629</u>	<u>10,629</u>
Lease liabilities	2.95	<u>892</u>	<u>874</u>	<u>715</u>	<u>2,481</u>	<u>2,379</u>
As at 31 March 2018						
Trade, retention and bills payables	N/A	22,672	71	4,364	27,107	27,107
Amount due to a shareholder of the Company	N/A	9,876	—	—	9,876	9,876
Bank borrowings — Variable rate	2.15	<u>9,779</u>	<u>—</u>	<u>—</u>	<u>9,779</u>	<u>9,779</u>
		<u>42,327</u>	<u>71</u>	<u>4,364</u>	<u>46,762</u>	<u>46,762</u>
Lease liabilities	2.92	<u>902</u>	<u>855</u>	<u>471</u>	<u>2,228</u>	<u>2,149</u>
As at 31 March 2019						
Trade, retention and other payables	N/A	19,905	171	5,141	25,217	25,217
Bank borrowings — Variable rate	2.98	<u>1,459</u>	<u>—</u>	<u>—</u>	<u>1,459</u>	<u>1,459</u>
		<u>21,364</u>	<u>171</u>	<u>5,141</u>	<u>26,676</u>	<u>26,676</u>
Lease liabilities	2.68	<u>643</u>	<u>400</u>	<u>1,197</u>	<u>2,240</u>	<u>2,066</u>
The Company						
As at 31 March 2019						
Accrued issue costs	N/A	1,750	—	—	1,750	1,750
Due to a subsidiary	N/A	<u>13,324</u>	<u>—</u>	<u>—</u>	<u>13,324</u>	<u>13,324</u>
		<u>15,074</u>	<u>—</u>	<u>—</u>	<u>15,074</u>	<u>15,074</u>

As disclosed in note 22, the Group's bank borrowings, together with other relevant amounts outstanding under the banking facilities of the Group, might be immediately due and repayable on demand by the relevant banks without prior notice to the Group.

Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise its discretionary right to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the relevant bank facilities letters, details of which are set out in the tables below:

	Weighted average interest rate %	On demand or within six months HK\$'000	Six months to one year HK\$'000	More than one year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2018						
Bank borrowings —						
Variable rate	2.15	<u>312</u>	<u>312</u>	<u>11,318</u>	<u>11,942</u>	<u>9,779</u>
As at 31 March 2019						
Bank borrowings —						
Variable rate	2.98	<u>921</u>	<u>75</u>	<u>510</u>	<u>1,506</u>	<u>1,459</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At the date of this report, the Company has direct and indirect shareholdings of the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Place of operations	Issued and fully paid share capital	Equity interest attributable to the Group				Principal activities	Notes
				As at 31 March		At date of this report			
				2017 %	2018 %	2019 %	this report %		
Directly held:									
Ascend	BVI 20 September 2018	Hong Kong	HK\$2	N/A	N/A	100%	100%	Investment holding	(a)
Indirectly held:									
Chit Tat	Hong Kong 18 February 2000	Hong Kong	HK\$5,000,000	100%	100%	100%	100%	Provision of E&M engineering services	(b)

Notes:

- (a) No audited financial statements have been prepared since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.
- (b) The statutory financial statements for the year ended 31 March 2017 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Peleus & Co., certified public accountants registered in Hong Kong. The statutory financial statements for the year ended 31 March 2018 was prepared in accordance with HKFRSs issued by the HKICPA and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong. The statutory financial statements for the year ended 31 March 2019 are not yet due to issue.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 March as their financial year end date.

None of the subsidiaries had issued any debt securities at the end of each of the reporting periods.

The Company's unlisted investment in a subsidiary is stated at cost.

The Company's amount due to a subsidiary is unsecured, interest-free and repayable on demand.

33. SUBSEQUENT EVENTS

On 18 September 2019, written resolutions of the sole shareholder of the Company were passed to approve the matters set out in "Appendix IV — A. Further information about our Group — 5. Resolutions in writing of our sole Shareholder passed on 18 September 2019" to the Prospectus. It was resolved, among other things, that:

- (1) the authorised ordinary share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of the Company of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of the Company of HK\$0.01 each;
- (2) conditional on the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the ordinary shares of the Company in issue and new ordinary shares of the Company to be issued as mentioned in the Prospectus (including any ordinary shares of the Company which may be issued pursuant to the exercise of the "Over-allotment Option" as defined in the Prospectus and any options granted under the "Share Option Scheme" adopted by the Company as defined in the Prospectus) (the "**Share Offer**") and such approval not subsequently having been revoked prior to the commencement of dealings in the ordinary shares of the Company, on the obligations of the underwriting agreements in relation to the Share Offer (the "**Underwriting Agreement**") becoming unconditional and not being terminated in accordance with the terms thereof, in each case on or before the dates and times specified in the Underwriting Agreements and in any event not later than 30 days after the date of the Prospectus being fulfilled:
 - (i) the Share Offer and the Over-allotment Option were approved and the directors of the Company were authorised to allot and issue the new ordinary shares of the Company pursuant to the Share Offer and any ordinary shares of the Company which may be required to be allotted and issue upon the exercise of the Overallotment Option to rank *pari passu* with the then existing ordinary shares of the Company in all respects;

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in the Appendix IV to the Prospectus, were approved and adopted and the directors of the Company were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for ordinary shares of the Company thereunder and to allot, issue and deal with the ordinary shares of the Company 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; and
- (iii) conditional on the share premium account of the Company being credited as a result of the Share Offer, the directors of the Company were authorised to capitalise an amount of HK\$5,999,998 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 599,999,800 ordinary shares of the Company of HK\$0.01 each for allotment and issue to Lightspeed.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 March 2019.

The information set out in this appendix does not form part of the Accountants' Report on our historical financial information for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with "Financial information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed public offer and the placing of the Shares of the Company (the "Share Offer") on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the "Share Offer" had taken place on 31 March 2019.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 or any future dates following the Share Offer.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 per Share <i>HK\$</i>
Based on a maximum Offer Price of HK\$0.75 per Offer Share	<u>106,023</u>	<u>122,895</u>	<u>228,918</u>	<u>0.29</u>
Based on a minimum Offer Price of HK\$0.625 per Offer Share	<u>106,023</u>	<u>99,895</u>	<u>205,918</u>	<u>0.26</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 amounting to approximately HK\$106,023,000 is extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares to be issued at a minimum Offer Price of HK\$0.625 per Offer Share or a maximum Offer Price of HK\$0.75 per Offer Share, respectively, assuming no over-allotment option will be exercised, after deduction of the estimated underwriting fees and other related expenses (excluding listing expenses charged to profit or loss up to 31 March 2019). It does not take into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandate, as referred to Appendix IV to this prospectus.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 per Share is arrived at on the basis of 800,000,000 Shares in total, assuming the Share Offer and Capitalisation Issue had been completed on 31 March 2019 and no over-allotment option will be exercised. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandate, as referred to Appendix IV to this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2019.

The following is the text of the independent reporting accountants' assurance report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the unaudited pro forma financial information of our Group.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Accel Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Accel Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 27 September 2019 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company (the “**Share Offer**”) on the Group's financial position as at 31 March 2019 as if the Share Offer had taken place at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 March 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 September 2019

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 September 2018 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 18 September 2019 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

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The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

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terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

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The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

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No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any

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of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting;
or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

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Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed

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to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

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The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

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The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

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(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such

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trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 20 September 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;

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- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the

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redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

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Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 24 September 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

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As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated on 20 September 2018 in the Cayman Islands as an exempted company with limited liability. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III to this prospectus. Our registered office is at the offices of PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

Our principal place of business in Hong Kong is at Unit Nos. 709–711, 7/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 29 November 2018. Mr. Ko and Mr. Chan Tak Sun Sammy have been appointed as our authorised representatives for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

2. Changes in authorised and issued share capital of our Company

As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares of par value of HK\$0.01 each. The following alterations in the share capital of our Company have taken place since the date of its incorporation:

- (a) On 20 September 2018, one ordinary Share in our Company was allotted and issued, credited as fully paid, to the initial subscriber, which was subsequently transferred to Mr. Ko on the same day for cash at par. On the same day, an additional 69 Shares and 30 Shares were allotted and issued, at par, all credited as fully paid, to Mr. Ko and Ms. Cheung, respectively. As a result, Mr. Ko and Ms. Cheung held 70 Shares and 30 Shares of our Company, representing 70% and 30% of the issued share capital in our Company, respectively.
- (b) On 29 November 2018, in consideration of the transfer of 140 and 60 shares in Ascend, being all the issued shares of Ascend, from Mr. Ko and Ms. Cheung to our Company, respectively, our Company allotted and issued 70 and 30 Shares, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.
- (c) On 30 November 2018, Mr. Ko and Ms. Cheung transferred 140 and 60 Shares to Lightspeed, respectively, in consideration of Lightspeed allotting and issuing 70 and 30 shares in Lightspeed, credited as fully paid, to Mr. Ko and Ms. Cheung, respectively.
- (d) Pursuant to the written resolutions of our sole Shareholder passed on 18 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01

each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares of par value of HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue.

- (e) Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” in this prospectus and the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, an amount of HK\$5,999,998 standing to the credit of our Company’s share premium account will be capitalised by applying such sum to pay up in full at par 599,999,800 Shares for the allotment and issuance as fully paid up Shares to Lightspeed. As a result, Lightspeed will hold 600,000,000 ordinary Shares, representing 75% of the total issued share capital of our Company upon the Listing.
- (f) Assuming that the Share Offer becomes unconditional and the Offer Shares are issued but taking no account of any Shares to be allotted and issued upon the exercise of the Over-allotment Option and exercise of the share options granted under the Share Option Scheme, the total issued share capital 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 9,200,000,000 ordinary Shares remaining unissued.

On the basis that the Over-allotment Option is exercised in full and taking no account of any Shares to be issued upon the exercise of any share options granted under the Share Option Scheme, the total issued share capital will be HK\$8,300,000 divided into 830,000,000 Shares of HK\$0.01 each, fully paid or credited as fully paid, with 9,170,000,000 Shares remaining unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Our corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For further details, please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus.

4. Changes in the 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” in this prospectus, there has been no other alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Resolutions in writing of our sole Shareholder passed on 18 September 2019

Written resolutions of our sole Shareholder were passed on 18 September 2019 approving, among others, the following:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 9,962,000,000 new Shares, each ranking *pari passu* in all respects with the Shares in issue;
- (b) conditional upon all the conditions set out in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus being fulfilled:
 - (i) the Share Offer and the grant of the Over-allotment Option by our Company and the Share Option Scheme was approved and our Directors were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option and any option(s) which may be granted under the Share Option Scheme; (bb) implement the Share Offer and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise HK\$5,999,998 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par 599,999,800 Shares for allotment and issuance to Lightspeed;
 - (iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) not exceeding (aa) 20% of the aggregate number of our Company’s share capital in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); or (bb) the aggregate number of Shares repurchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (iv) below. Such mandate shall remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the date which

the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (cc) until the authority given to our Directors is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (iv) a general unconditional mandate given to our Directors during the relevant period 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 not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) (the “**Repurchase Mandate**”). Such mandate shall remain in effect until the earliest of (aa) the conclusion of the next annual general meeting of our Company; (bb) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (cc) until the authority given to our Directors is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
 - (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of the aggregate number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above, provided that such extended amount shall not exceed 10% of the aggregate number of issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue, but excluding any Shares which may be issued upon exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme;
- (c) conditional on (a) the Listing Committee of the Stock Exchange granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in the prospectus; (b) the Offer Price having been determined; (c) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in the prospectus; and (d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being

terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates or may be specified in the Underwriting Agreements; and

- (d) conditional upon the Listing, the Memorandum and the Articles were adopted with effect from the Listing Date.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate or by special approval in relation to specific transactions. As mentioned in the paragraph headed "A. Further information about our Group — 5. Resolutions in writing of our sole Shareholder passed on 18 September 2019" in this Appendix, our Directors were granted the Repurchase Mandate on 18 September 2019.

(b) Sources of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the applicable laws, rules and regulations in the Cayman Islands, the Memorandum and the Articles. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, share premium, 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 from sums standing to the credit of the share premium account before or at the time our Shares are repurchased.

(c) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(d) Status of repurchased shares

All repurchased Shares (whether on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, unless, prior to the repurchase, the directors of a company resolve to hold shares in such

company as treasury shares, the company's issued share capital shall be reduced by the aggregate par value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(f) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or Substantial Shareholder or any of our subsidiaries or an associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders to have general authority from our Shareholders to enable our Directors to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and the assets and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules, the applicable laws of Hong Kong and the applicable laws and regulations of the Cayman Islands. On the basis of our current financial condition as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

General

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue after completion of the Share Offer and Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account of any Shares to be issued upon the exercise of the options granted under Share Option Scheme), could accordingly result in up to 80,000,000 Shares being repurchased by us during the period prior to:

1. the conclusion of the next annual general meeting of our Company;
2. the expiration of the period within which our next annual general meeting is required by the Articles, the Companies Law or any other applicable laws of Cayman Islands to be held; or
3. the revocation or variation of the authority given to our Directors under the Repurchase Mandate by an ordinary resolution of our Shareholders in a general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries 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 Memorandum and the Articles, and the applicable laws, rules and regulations 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. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

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 of our Company has notified our Company that he/she/it has a present intention to sell the Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within two years preceding the date of this prospectus and are or may be material:

- (a) a cornerstone investment agreement dated 20 September 2019 entered into by and among our Company, Gao Chengjian, the Sole Sponsor and the Sole Global Coordinator, pursuant to which Gao Chengjian agreed to, among others, acquire the maximum number of Shares that may be purchased with HK\$10 million at the Offer Price, rounded down to the nearest board lot of 5,000 Shares;
- (b) a cornerstone investment agreement dated 20 September 2019 entered into by and among our Company, Lam Shing Tai, the Sole Sponsor and the Sole Global Coordinator, pursuant to which Lam Shing Tai agreed to, among others, acquire the maximum number of Shares that may be purchased with HK\$17 million at the Offer Price, rounded down to the nearest board lot of 5,000 Shares;
- (c) a cornerstone investment agreement dated 20 September 2019 entered into by and among our Company, Lam Yuk, the Sole Sponsor and the Sole Global Coordinator, pursuant to which Lam Yuk agreed to, among others, acquire the maximum number of Shares that may be purchased with HK\$10 million at the Offer Price, rounded down to the nearest board lot of 5,000 Shares;
- (d) a cornerstone investment agreement dated 20 September 2019 entered into by and among our Company, Tsang Keung, the Sole Sponsor and the Sole Global Coordinator, pursuant to which Tsang Keung agreed to, among others, acquire the maximum number of Shares that may be purchased with HK\$8 million at the Offer Price, rounded down to the nearest board lot of 5,000 Shares;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group*Domain name*

As at the Latest Practicable Date, our Group has registered the following domain name that is material to the operations of our Group:

No.	Registered owner	Domain name	Date of registration	Expiry date
1.	Chit Tat	www.chittathk.com	1 September 2014	1 September 2020

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests — Interests and short positions of our Directors in shares, underlying shares and debentures of our Company and our associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue, (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of share options granted under the Share Option Scheme), the interests and short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed will be as follows:

(i) *Interests in our Company*

Name of Director	Capacity/ Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Ko <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	600,000,000 (L)	75%
Ms. Cheung <i>(Note 2)</i>	Interest in a controlled corporation and interest of spouse	600,000,000 (L)	75%

Notes:

- The letter “L” denotes long position in our Shares.
- These Shares are registered in the name of Lightspeed, a company which is owned as to 70% by Mr. Ko and 30% by Ms. Cheung. Mr. Ko is the spouse of Ms. Cheung. Therefore, Mr. Ko and Ms. Cheung are deemed, or taken to be, interested in the Shares held by Lightspeed for the purposes of the SFO.

(ii) Interest in the shares of associated corporations

Name of Director	Capacity/ Nature of Interest	Name of associated corporation	Number of shares	Percentage of shareholding
Mr. Ko	Beneficial owner	Lightspeed	140	70%
Ms. Cheung	Beneficial owner	Lightspeed	60	30%

None of our Directors or our chief executive will immediately following the completion of the Share Offer and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of share options granted under the Share Option Scheme) have any disclosable interests (as referred to in (a) above), other than as disclosed in paragraphs (i) and (ii) above.

(b) Particulars of Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years, commencing from the Listing Date. The office of an executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of our executive Directors may be terminated by either party by giving at least three months' written notice to the other.

Each of our independent non-executive Directors and non-executive Director has entered into a letter of appointment with our Company for an initial term of three years, commencing from the Listing Date. The office of an independent non-executive Director and non-executive Director is liable to be vacated in certain circumstances pursuant to the Articles. The appointment of each of our independent non-executive Directors and non-executive Director may be terminated by either party by giving at least three months' written notice to the other.

Save as disclosed above, none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group.

(c) Remuneration of Directors

The aggregate amount of remuneration (including fees, salaries and other allowances, discretionary bonus and retirement benefit scheme contributions) which were paid to our Directors for FY2017, FY2018 and FY2019 were approximately HK\$2.2 million, HK\$3.7 million and HK\$5.0 million, respectively. Details of our Directors' remuneration are set out in Note 10 of the Accountants' Report in Appendix I to this prospectus.

It is estimated that annual Directors' fees and other emoluments equivalent to approximately HK\$5.1 million in aggregate will be paid and granted to our Directors by us in respect of the year ending 31 March 2020 under arrangements in force at the date of this prospectus.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's responsibilities, qualification, position and seniority.

Save as disclosed in this prospectus, no Director has been paid in cash or shares or otherwise by any person either as (i) an inducement to join or upon joining our Company; or (ii) for 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.

There has been no arrangement under which our Director has waived or agreed to waive any emoluments for FY2017, FY2018 and FY2019.

After the Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, time devoted to our Group and performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

2. Substantial Shareholder

So far as our Directors are aware, immediately following the completion of Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following person (other than our Directors and chief executive) will have interests or short positions in our Shares and underlying shares which will be required 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 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 the general meetings of any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of interests
Lightspeed	Beneficial owner	600,000,000 (L)	75%

Note:

- The letter “L” denotes long position in our Shares.

3. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

4. Related party transactions

Please refer to note 29 of the Accountants’ Report in Appendix I to this prospectus for details of the related party transactions. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

5. Disclaimers

Save as disclosed in this prospectus:

- none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to 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 which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors and Listed Companies;

- (b) none of our Directors nor any of the persons referred to in the paragraph headed “E. Other information — 8. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;
- (c) none of our Directors nor any of the persons referred to in the paragraph headed “E. Other information — 8. 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;
- (d) none of the persons referred to in the paragraph headed “E. Other information — 8. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) none of our Directors has any existing or proposed services 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));
- (f) taking no account of any Shares which may be taken up or upon the exercise of the Over-allotment Option, Shares that may be issued upon the exercise share options granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in our shares or underlying shares of us which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our issued share capital have any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of our sole Shareholder and Directors passed on 18 September 2019:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the Grantees (as defined below) for their contribution or potential contribution to our Company and/or any of its subsidiaries.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

Our Board may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive Directors, non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of our Board has contributed or will contribute to our Group (collectively, the “**Eligible Participants**”) and whom our Board may in its absolute discretion select and subject to such conditions as it may think fit.

3. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect conditional upon and is subject to:

- (i) the passing of the necessary resolutions by our Board and our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options under the Share Option Scheme;
- (iii) the obligations of the Underwriters (under the Underwriting Agreements) becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Joint Bookrunners, acting for themselves and on behalf of the Underwriters) and not being terminated in accordance with their terms or otherwise; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange,

(the “**Conditions**”).

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of our Shareholders and ending on the tenth anniversary of the Listing Date (both dates inclusive) (the “**Scheme Period**”), after which time no further option will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. Grant of options

(a) Making of offer

An offer shall be made to an Eligible Participant by an offer document in such form as our Board may from time to time determine, requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (the “**Offer Document**”).

(b) Acceptance of offer

An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the “**Grantee**”) and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Grantee, together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant of the option is received by our Company on or before the last day for acceptance set out in the Offer Document above. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price (as defined below). Once accepted, the option is granted as from the date on which it was offered to the Grantee (the “**Offer Date**”).

(c) Restrictions on time of grant

- (i) No grant of options shall be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of 30 days immediately preceding the earlier of:
- (1) the date of our Board meeting as shall have been notified to the Stock Exchange 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
 - (2) 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 actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

- (ii) For so long as the shares are listed on the Stock Exchange, no options may be granted to a Director on any day which financial results of our Company are published and:
- (1) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (2) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee (as defined below) of the options, the vote of such independent non-executive Director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to sub-paragraph 4(c) above, any grant of options to a Substantial Shareholder or an independent non-executive Director of our Company or any of their respective associates shall be subject to, in addition to the approval of our independent non-executive Directors in sub-paragraph (d) above, the issue of a circular by our Company to its Shareholders and the approval of our Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) under the Share Option Scheme or any other scheme in the twelve (12) month period up to and including the Offer Date:

- (i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and
- (ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under sub-paragraph 4(e) above, the Grantee, his associates and all core connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There is no specific performance targets stipulated under the terms of the Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Exercise Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be determined by our Board in its sole discretion but in any event shall be at least the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the Offer Date;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of a Share;

provided that for the purpose of determining the Exercise Price under sub-paragraph 5(ii) above where the Shares have been listed on the Stock Exchange for less than five business days preceding the Offer Date, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each business day falling within the period before the listing of the Shares on the Stock Exchange.

6. Maximum number of Shares available for subscription

(a) Scheme limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and without taking into account Shares that may be allotted and issued upon exercise of options granted under the Share Option Scheme) (the “**Scheme Limit**”), and the Scheme Limit is expected to be 80,000,000 Shares. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of scheme limit

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Limit as renewed from time to time must not exceed 10% of the total number of Shares in issue as at the date of our Shareholders’ approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this subparagraph 6(b), a circular containing the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of options beyond scheme limit

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified by our Board before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this subparagraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to the Share Option Scheme

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted under any schemes of our Company or subsidiaries if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, our Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee on exercise of his options during any twelve (12) month period up to the Offer Date exceed 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a Connected Person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the

Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Grantee must be fixed before our Shareholders' approval. The date of the meeting of our Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the Share Option Scheme shall be adjusted in such manner as our Company's independent financial advisor shall certify to our Board to be appropriate, fair and reasonable in accordance with paragraph 7 below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceed the limit set out in sub-paragraph 6(d).

7. Capital restructuring

(a) Adjustment of options

In the event of any capitalisation issue, rights issue, open offer (if there is a price dilutive element), sub-division or consolidation of Shares, or reduction of capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of Shares subject to any outstanding option;
- (ii) the Exercise Price; and/or
- (iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial adviser shall at the request of our Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have as near as possible the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option scheme) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be

issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) Independent financial advisor confirmation

On any capital reorganisation, independent financial advisor shall certify in writing to our Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where our Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in sub-paragraphs 6(a), 6(b), and 6(e).

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly, the Shares will entitle the holders to have the same voting, dividend, transfer and other rights, and to participate in all dividends or other distributions paid or made on or after the date on which the allottee is registered as a member (the “**Registration Date**”) other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until completion of registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. Exercise of options

Unless otherwise provided in the respective Grantee's Offer Document, an option may be exercised by a Grantee at any time or times during the period notified by our Board during which the Grantee may exercise his option(s) (the "**Option Period**") provided that:

- (a) in the event of the Grantee ceasing to be an Eligible Participant for any reason other than his death, ill-health, injury, disability or the termination of his relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of 30 days (or such longer period as our Board may determine) following the date of such cessation (which date shall be, in relation to a Grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not);
- (b) in the case of a Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Company and/or any of its subsidiaries under sub-paragraph 12(e) has occurred, the Grantee or the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise his option in full (to the extent not already exercised);
- (c) if a general offer (whether by way of take-over offer, share repurchase 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 in concert with the offeror), our Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms *mutatis mutandis*, and assuming that they shall become, by the exercise in full of the options granted to them as shareholders of our Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes, or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;
- (d) if a compromise or arrangement between our Company and its Shareholders and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the Grantees (together with a notice of the

existence of the provisions of this paragraph) on the same day as it despatches to Shareholders and/or creditors of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to noon (Hong Kong time) on the Business Day immediately preceding the date of the general meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. Our Board shall endeavour to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court), the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and

- (e) in the event a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already lapsed or exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;

- (ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (e) above;
- (iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(e);
- (iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;
- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of his resignation or dismissal, or by reason of the termination of his relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its subsidiaries (if so determined by our Board) on any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of our Board or the board of directors of the relevant subsidiary to the effect that the relationship of the Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive;
- (vi) the date that is 30 days after the date on which a Grantee is terminated by our Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(v);
- (vii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above; or
- (viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Alteration of the Share Option Scheme

The terms and conditions of the Share Option Scheme and the regulations for the administration and operation of the Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (a) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be), in respect of matters contained in Listing Rule 17.03, including without limitation, the definitions of “**Eligible Participant**,” “**Expiry Date**,” “**Grantee**” and “**Option Period**” contained in the Share Option Scheme; or
- (b) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), or any change to the authority of our Board in respect of alternation of the Share Option Scheme,

must be made with the prior approval of our Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting provided that no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of the Grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph shall be given to all Grantees.

14. Termination

We may by ordinary resolution in general meeting or our Board at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Litigation

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

2. Tax and other indemnities

Our Controlling Shareholders have, under a Deed of Indemnity referred to in paragraphs headed “B. Further information about the business of our Group — 1. Summary of material contracts” in this Appendix, given joint and several indemnities to our Company in connection with, amongst other things, taxation resulting from profits or gains earned, accrued or received, and any penalty imposed due to breach of with any applicable laws, rules and regulations by our Group on or before the date the Share Offer becomes unconditional.

(a) *Tax indemnities*

Under the Deed of Indemnity, amongst others, our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group against:

- (i) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the date on which the Share Offer becomes unconditional and dealings in Shares first commence on the Stock Exchange (the “**Effective Date**”);
- (ii) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Effective Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and
- (iii) any taxation arising out of any additional assessments by any fiscal authorities in respect of any company in our Group in relation to the tax years beginning 1 April 2016 and ending on the Effective Date;

The indemnity will not cover any taxation claim, to the extent that, *inter alia*:

- (i) full provision or reserve has been made for such taxation in the audited accounts of our Group for any accounting period up to 31 March 2019;
- (ii) such taxation arises as a result of any retrospective change in law or increase in tax rates coming into force after the date of the Deed of Indemnity;
- (iii) the liability for such taxation that is caused by the act or omission of, or transaction voluntarily effected by our Group in the ordinary course of business; and
- (iv) any provision or reserve made for such taxation in the audited accounts of our Group up to 31 March 2019, which is finally established to be an over-provision or an excessive reserve.

(b) Non-compliance with and/or breach of laws, rules and regulations

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, *inter alia*, against any claims, actions, losses, liabilities and costs which would be incurred by our Group as a result of any non-compliance with the applicable laws, rules and regulations by our Group on or before the Effective Date.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after the Effective Date.

(c) Outstanding and potential litigation

Our Controlling Shareholders will jointly and severally indemnify our Company and each of the members of our Group, *inter alia*, against any losses, liabilities, costs, damages and fees incurred by our Group as a result of any outstanding and potential litigations against our Group on or before the Effective Date.

(d) Reorganisation

Our Controlling Shareholders will jointly and severally indemnify our Company and each members of our Group, *inter alia*, against any depletion in or reduction in value of the assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after the Effective Date.

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, and the estate duty under the laws of Hong Kong has been abolished.

3. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately US\$4,788 (equivalent to approximately HK\$37,300) and are payable by our Company.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Share Offer and the related transactions described in this prospectus.

5. Application for the Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued as mentioned in this prospectus, any Shares which may be issued upon the exercise of the Over-allotment Option and exercise of options granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

6. No material adverse change

Save as disclosed in this prospectus, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 31 March 2019, the date of the latest audited financial statements of our Group.

7. Underwriting commission

The Underwriters will receive an underwriting commission as referred to in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Commission” in this prospectus.

8. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinions and/or advice in this prospectus are as follows:

Name	Qualifications
Ample Capital Limited	A licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Appleby	Legal advisers of our Company as to Cayman Islands law
Ipsos Limited	Industry Consultant
RSM Tax Advisory (Hong Kong) Limited	Tax adviser
Mr. Chan Chung	Barrister-at-law of Hong Kong
Ms. Yan Chi Yee Angie	Barrister-at-law of Hong Kong

9. Consents

Each of the experts set out in the paragraph headed “E. Other information — 8. Qualifications of experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in our Company or any of its subsidiaries.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Independence of Sole Sponsor and Sole Sponsor’s fee

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will be paid by our Company a total fee of approximately HK\$6.0 million to act as sponsor to our Company in connection with the Share Offer.

12. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by our Company’s principal share registrar, Estera Trust (Cayman) Limited and a branch register of members of our Company in Hong Kong will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to the Shares must be lodged for registration with, and registered by, our Hong Kong 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.

13. Taxation of holders of Shares***(a) Hong Kong******(i) Profits***

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or

business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty was abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for our Company is for a period of twenty years from 24 September 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the 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

Potential investors in the Share Offer are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, our Shares.

14. Miscellaneous

Save as otherwise disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no share or loan capital or debentures of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;
- (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the principal subsidiaries;
- (iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
- (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

- (v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (vi) none of the parties (save in connection with the Underwriting Agreements) listed in the paragraph headed “E. Other Information — 8. Qualification of experts” in this Appendix:
 - (a) is interested legally or beneficially in any securities of any member of our Group;
 - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; or
 - (c) has received any commission, discount, agency fee, brokerage or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (vii) 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 24 months immediately preceding the date of this prospectus;
- (viii) our Company and our 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;
- (ix) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (x) there is no arrangement under which future dividends have been waived;
- (xi) our Group has no outstanding convertible debt securities; and
- (xii) the English text of this document shall prevail over the Chinese text.

15. 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).

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the paragraph headed “E. Other information — 9. Consents” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Addleshaw Goddard (Hong Kong) LLP at 802–804, Champion Tower, 3 Garden Road, Central, Hong Kong during normal business hours from 9 a.m. to 5 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report prepared by Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended 31 March 2019;
- (e) the letter of advice prepared by Appleby summarising certain aspects of the constitution of the Company and certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the industry report prepared by Ipsos Limited;
- (h) the tax report prepared by RSM Tax Advisory (Hong Kong) Limited;
- (i) the opinion issued by the Licences Law Legal Counsel;
- (j) the opinion issued by the Property Law Legal Counsel;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (k) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the service contracts and letters of appointment of our Directors referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 1. Directors — b. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;
- (m) the written consents referred to in the paragraph headed “E. Other information — 9. Consents” in Appendix IV to this prospectus; and
- (n) the Share Option Scheme.

**ACCEL GROUP
HOLDINGS LIMITED**
高陞集團控股有限公司