



**SH GROUP (HOLDINGS) LIMITED**

**順興集團（控股）有限公司**

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

STOCK CODE : 1637

# GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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## IMPORTANT

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



### SH GROUP (HOLDINGS) LIMITED

順興集團(控股)有限公司

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

#### GLOBAL OFFERING

<b>Number of Offer Shares</b>	<b>:</b>	<b>100,000,000 Shares (comprising 80,000,000 new Shares and 20,000,000 Sale Shares) (subject to the Over-allotment Option)</b>
<b>Number of International Placing Shares</b>	<b>:</b>	<b>90,000,000 Shares (comprising 70,000,000 new Shares and 20,000,000 Sale Shares) (subject to reallocation and the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>:</b>	<b>10,000,000 Shares (subject to reallocation)</b>
<b>Offer Price</b>	<b>:</b>	<b>Not more than HK\$1.25 per Share plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)</b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.01 each</b>
<b>Stock code</b>	<b>:</b>	<b>1637</b>

#### Sole Sponsor



#### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or about Wednesday, 28 December 2016 and, in any event, not later than Friday, 30 December 2016. The Offer Price will be not more than HK\$1.25 per Offer Share and is currently expected to be not less than HK\$1.00 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.25 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$1.25 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in The Standard (in English) and Sing Tao Daily (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Friday, 30 December 2016 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to qualified institutional buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

19 December 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on Thursday, 22 December 2016

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on Thursday, 22 December 2016

Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Thursday, 22 December 2016

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)<sup>(2)</sup> . . . . . 12:00 noon on Thursday, 22 December 2016

Application lists close<sup>(3)</sup> . . . . . 12:00 noon on Thursday, 22 December 2016

Expected Price Determination Date<sup>(5)</sup> . . . . . on or around Wednesday, 28 December 2016

(a) Announcement of the final Offer Price, the indication of level of interest in the International Placing, the results of applications in the Hong Kong Public Offering and the basis of allocation under the Hong Kong Public Offering to be published (i) in The Standard (in English) and Sing Tao Daily (in Chinese); (ii) on the website of our Company at [www.shunhingeng.com](http://www.shunhingeng.com); and (iii) on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before<sup>(6)</sup> . . . . . Friday, 30 December 2016

(b) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" in this prospectus from . . . . . Friday, 30 December 2016

A full announcement of the Hong Kong Public Offering containing (a) and (b) above to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)<sup>(6)</sup> and our Company's website at [www.shunhingeng.com](http://www.shunhingeng.com)<sup>(7)</sup> . . . . . Friday, 30 December 2016

Results of allocations in the Hong Kong Public Offering will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on . . . . . Friday, 30 December 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Despatch of share certificates of the Offer Shares or deposit of share certificates of the Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before<sup>(8)</sup> . . . . . Friday, 30 December 2016

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before<sup>(9)</sup> . . . . . Friday, 30 December 2016

Dealing in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Tuesday, 3 January 2017

*Notes:*

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and Sing Tao Daily (in Chinese).
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m. you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 December 2016, the application lists will not open and close on that day. Please refer to the section headed “How to apply for the Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Thursday, 22 December 2016, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for the Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Wednesday, 28 December 2016 and in any event, not later than Friday, 30 December 2016. If, for any reason, the final Offer Price is not agreed by 12:00 noon on Friday, 30 December 2016 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.
6. The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
7. None of the information contained on any website forms part of this prospectus.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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8. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 30 December 2016 or any other date as notified by us in the newspapers as the date of despatch of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.
  
9. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

**Share certificates are expected to be issued on Friday, 30 December 2016 but will only become valid certificates of title provided that the Global Offering has become unconditional at 8:00 a.m. on 3 January 2017 in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.**

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## TABLE OF CONTENTS

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*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.*

	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	i
<b>TABLE OF CONTENTS</b> .....	iv
<b>SUMMARY</b> .....	1
<b>DEFINITIONS</b> .....	12
<b>GLOSSARY</b> .....	21
<b>RISK FACTORS</b> .....	23
<b>FORWARD-LOOKING STATEMENTS</b> .....	33
<b>INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING</b> .....	35
<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b> .....	39
<b>CORPORATE INFORMATION</b> .....	43
<b>INDUSTRY OVERVIEW</b> .....	45
<b>REGULATORY OVERVIEW</b> .....	58
<b>HISTORY, REORGANISATION AND CORPORATE STRUCTURE</b> .....	88
<b>BUSINESS</b> .....	97
<b>RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS</b> .....	151
<b>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</b> .....	157
<b>SUBSTANTIAL SHAREHOLDERS</b> .....	171
<b>SHARE CAPITAL</b> .....	172
<b>FINANCIAL INFORMATION</b> .....	176
<b>FUTURE PLANS AND USE OF PROCEEDS</b> .....	241
<b>UNDERWRITING</b> .....	247

---

## TABLE OF CONTENTS

---

	<i>Page</i>
<b>STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING</b> .....	259
<b>HOW TO APPLY FOR THE HONG KONG OFFER SHARES</b> .....	269
<b>APPENDIX I — ACCOUNTANTS' REPORT</b> .....	I-1
<b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION</b> .....	II-1
<b>APPENDIX III — PROPERTY VALUATION</b> .....	III-1
<b>APPENDIX IV — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW</b> .....	IV-1
<b>APPENDIX V — STATUTORY AND GENERAL INFORMATION</b> .....	V-1
<b>APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG</b> .....	VI-1

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Since 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 the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We provide E&M engineering services in Hong Kong. During the Track Record Period, all of our revenue was derived in Hong Kong. We have a market share of 0.6% in the E&M engineering services industry in Hong Kong in 2015. We focus our efforts in the supply, installation and maintenance of MVAC system, revenue generated from which accounted for approximately 96.8%, 93.5%, 98.3% and 98.3% of our total revenue for the three years ended 31 March 2016 and the three months ended 30 June 2016. At the same time, we also provide services in relation to low voltage electrical system and other E&M systems, including fire services system, plumbing and drainage system depending on our customers’ needs. We are mainly a subcontractor. In most cases, we act as nominated subcontractor, under which we will be directly engaged by our customers and responsible for liaising with the main contractor as well as other subcontractors subsequently engaged. We may also act as domestic subcontractor as engaged by other main contractors. In other cases, we enter into direct contract as main contractor with our customers. Shun Hing HK, our operating entity, is currently registered as a specialist contractor (sub-register of ventilation works) and a minor works contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under “Air-conditioning Installation” (Group II) and “Electrical Installation” (Group II) (on probation) category of works under the WBDB.

We have undertaken over 180 E&M engineering services projects during the Track Record Period. As at 31 October 2016, we had over 30 projects in progress with contract period ending beyond 31 October 2016, with an estimated aggregate backlog revenue to be generated of approximately HK\$607.1 million representing the aggregate of backlog revenue as of 31 October 2016 of (i) approximately HK\$452.2 million from projects which contributed revenue during the Track Record Period; and (ii) approximately HK\$154.9 million from projects which will only contribute backlog revenue after the Track Record Period. Further details of our projects are set out in the section headed “Business — Our projects” in this prospectus. We have developed substantial expertise as an E&M engineering services provider since 1987, and we have built up a strong network with well-established customers who are often engaged in large-scale projects in Hong Kong. Through our consistent efforts, we have gained strong market recognition, which is illustrated by the certifications we have received over the years, as set out in the section headed “Business — Certifications” in this prospectus.

We undertake E&M engineering projects in both public and private sectors. For the three years ended 31 March 2016 and the three months ended 30 June 2016, our projects were predominantly from the private sector, in which we derived approximately 83.0%, 89.3%, 82.3% and 66.6% of our revenue, respectively, whereas approximately 40.6%, 36.7%, 70.2% and 33.2% of our revenue was derived from residential projects for each of the three years ended 31 March 2016 and each of the three months ended 30 June 2016.



## SUMMARY

The following tables set forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of E&M engineering services during the Track Record Period.

	For the year ended 31 March																	
	2014						2015						2016					
	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	Gross profit margin <sup>(1)</sup>	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	Gross profit margin <sup>(1)</sup>	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	Gross profit margin <sup>(1)</sup>
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
MVAC system	320,355	96.8	35,757	94.9	9,770	11.2	171,821	93.5	21,532	95.2	9,996	12.5	186,967	98.3	35,366	96.2	15,664	18.9
Low voltage electrical system <sup>(2)</sup>	8,878	2.7	1,596	4.2	2,866	18.0	11,809	6.4	1,038	4.6	5,289	8.8	1,998	1.0	1,145	3.1	11,210	57.3
Other E&M systems <sup>(2)</sup>	1,539	0.5	332	0.9	3,473	21.6	158	0.1	43	0.2	461	27.2	1,277	0.7	238	0.6	653	18.6
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>37,685</b>	<b>100.0</b>	<b>8,982</b>	<b>11.4</b>	<b>183,788</b>	<b>100.0</b>	<b>22,613</b>	<b>100.0</b>	<b>9,633</b>	<b>12.3</b>	<b>190,242</b>	<b>100.0</b>	<b>36,749</b>	<b>100.0</b>	<b>19,3</b>	<b>15,510</b>

	For the three months ended 30 June																	
	2015						2016											
	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	Gross profit margin <sup>(1)</sup>	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	Gross profit margin <sup>(1)</sup>	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	Gross profit margin <sup>(1)</sup>
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
MVAC system	42,014	98.9	4,847	98.1	21,090	11.5	44,991	98.3	5,975	93.2	25,963	13.3	44,991	98.3	5,975	93.2	25,963	13.3
Low voltage electrical system <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other E&M systems <sup>(2)</sup>	452	1.1	96	1.9	653	21.2	508	1.1	345	5.4	9,208	67.9	508	1.1	345	5.4	9,208	67.9
<b>Total</b>	<b>42,466</b>	<b>100.0</b>	<b>4,943</b>	<b>100.0</b>	<b>19,852</b>	<b>11.6</b>	<b>45,752</b>	<b>100.0</b>	<b>6,410</b>	<b>100.0</b>	<b>45,752</b>	<b>14.0</b>	<b>45,752</b>	<b>100.0</b>	<b>6,410</b>	<b>100.0</b>	<b>23,830</b>	<b>14.0</b>

Notes:

- MVAC system projects are the major type of our E&M engineering services projects, contributing more than 90% of the total gross profit during the Track Record Period and the fluctuations of its gross profit margin are mainly due to the increase in the gross profit margin of our residential projects. For details, please refer to the tables setting forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of project during the Track Record Period as set out in this section.
- Gross profit from low voltage electrical system and other E&M systems projects represents less than 10% of our total gross profit. The gross profit margin from low voltage electrical system and other E&M systems projects are highly dependent on the project specifications and may vary in different projects from time to time.

## SUMMARY

The following tables set forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of projects during the Track Record Period.

	For the year ended 31 March																				
	2014						2015						2016								
	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit	Average contract size	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit	Average contract size	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit	Average contract size	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit	Average contract size	
HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	
Residential	134,418	40.6	21,354	56.7	41,541	67,516	36.7	12,853	56.8	19.0	36,007	133,634	70.2	32,333	88.0	24.2	38,773				
Non-residential	196,354	59.4	16,331	43.3	5,630	116,272	63.3	9,760	43.2	8.4	6,738	56,608	29.8	4,416	12.0	7.8	10,509				
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>37,685</b>	<b>100.0</b>	<b>8,982</b>	<b>183,788</b>	<b>100.0</b>	<b>22,613</b>	<b>100.0</b>	<b>12.3</b>	<b>9,633</b>	<b>190,242</b>	<b>100.0</b>	<b>36,749</b>	<b>100.0</b>	<b>19.3</b>	<b>15,150</b>				

	For the three months ended 30 June													
	2015						2016							
	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit	Average contract size	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit	Average contract size	Revenue	% of the total revenue	Gross profit (1),(2)	% of the total gross profit
HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	%	HK\$'000
Residential	21,980	51.8	3,893	78.8	17.7	33,075	15,183	33.2	3,802	59.3	25.0	42,636		
Non-residential	20,486	48.2	1,050	21.2	5.1	16,292	30,569	66.8	2,608	40.7	8.5	15,472		
<b>Total</b>	<b>42,466</b>	<b>100.0</b>	<b>4,943</b>	<b>100.0</b>	<b>11.6</b>	<b>19,852</b>	<b>45,752</b>	<b>100.0</b>	<b>6,410</b>	<b>100.0</b>	<b>14.0</b>	<b>23,830</b>		

Notes:

- The increase of gross profit of the residential projects from the year ended 31 March 2015 to the year ended 31 March 2016 was mainly due to the fact that we took advantage of and capture the business opportunities arising from the growth in the number of residential projects. The increase of gross profit margin of the residential projects from the year ended 31 March 2014 to the year ended 31 March 2016 was mainly due to the decrease in our equipment and material costs and subcontracting fees. The increase of gross profit margin of the residential projects from the three months ended 30 June 2015 to the year ended 31 March 2016 was mainly due to the fact that residential projects which had significant works completed in the three months ended 30 June 2015 were of lower gross profit margin compared to other residential projects with works completed in the remaining nine months in the year ended 31 March 2016. For details, please refer to the section headed "Financial information — Discussion of results of operations" in this prospectus.
- The increase of gross profit and gross profit margin of the non-residential projects from the three months ended 30 June 2015 to the three months ended 30 June 2016 was mainly due to two non-residential projects: (i) MVAC works for a remodeling project at Salisbury Road, Tsing Sha Tsui and (ii) MVAC works for a proposed commercial development at Wai Yip Street, Kwun Tong. For details, please refer to the section headed "Financial information — Discussion of results of operations" in this prospectus.

## SUMMARY

The following tables set forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by sectors during the Track Record Period.

	For the year ended 31 March																	
	2014						2015						2016					
	% of the total revenue	Gross profit (1)(2)	Average contract size	% of the total gross profit	Gross profit margin (1)(2)	% of the total gross profit	Revenue	% of the total revenue	Gross profit (1)(2)	Average contract size	% of the total gross profit	Gross profit margin (1)(2)	Revenue	% of the total revenue	Gross profit (1)(2)	Average contract size	% of the total gross profit	Gross profit margin (1)(2)
HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	HK\$'000	%	%	HK\$'000	%	HK\$'000	HK\$'000	%	%	HK\$'000
Private Sector	274,528	35,954	7,529	95.4	13.1	164,031	89.3	20,667	91.4	12.6	9,744	156,475	82.3	35,448	96.5	22.7	16,481	22.7
Public Sector	56,244	1,731	21,144	4.6	3.1	19,757	10.7	1,946	8.6	9.8	9,110	33,767	17.7	1,301	3.5	3.9	10,110	3.9
<b>Total</b>	<b>330,772</b>	<b>37,685</b>	<b>8,982</b>	<b>100.0</b>	<b>11.4</b>	<b>183,788</b>	<b>100.0</b>	<b>22,613</b>	<b>100.0</b>	<b>12.3</b>	<b>9,633</b>	<b>190,242</b>	<b>100.0</b>	<b>36,749</b>	<b>100.0</b>	<b>19.3</b>	<b>15,150</b>	<b>19.3</b>

	For the three months ended 30 June											
	2015						2016					
	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Gross profit margin (1)(2)	Average contract size	Revenue	% of the total revenue	Gross profit (1)(2)	Average contract size	% of the total gross profit	Gross profit margin (1)(2)
HK\$'000	%	HK\$'000	%	%	HK\$'000	%	%	HK\$'000	HK\$'000	%	%	HK\$'000
Private Sector	26,392	62.1	4,116	83.3	15.6	21,313	66.6	5,751	30,481	89.7	18.9	26,038
Public Sector	16,074	37.9	827	16.7	5.1	8,764	33.4	659	15,271	10.3	4.3	11,686
<b>Total</b>	<b>42,466</b>	<b>100.0</b>	<b>4,943</b>	<b>100.0</b>	<b>11.6</b>	<b>19,852</b>	<b>100.0</b>	<b>6,410</b>	<b>45,752</b>	<b>100.0</b>	<b>14.0</b>	<b>23,830</b>

Notes:

- Private sector projects are the major type of project by sectors, contributing more than 80% of the total gross profit during the Track Record Period and the fluctuations of its gross profit margin are mainly due to the increase in the gross profit margin of our residential projects. For details, please refer to the tables setting forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of project during the Track Record Period as set out in this section.
- Our gross profit margin from the public sector was relatively low for the year ended 31 March 2014 was mainly due to MVAC works for a university campus at Chung Hau Street, Ho Man Tin. Our Directors are keen to undertake this project primarily because of its large contract value of approximately HK\$53.9 million and it was our largest scale university project which enabled us to diversify our project mix. Our gross profit margin in the public sector increased in the year ended 31 March 2015 because we were engaged in a residential project, which generally offer higher gross profit margin, located in Kai Tak. Our gross profit margin decreased in the year ended 31 March 2016 was mainly attributable to MVAC System replacement projects for government buildings in Hong Kong which involved less technicalities and manpower.

## SUMMARY

The following table summarised our backlog revenue after the Track Record Period:

	<b>For the nine months ending 31 March</b>		
	<b>2017</b>	<b>For the year ending 31 March</b>	
	<i>HK\$'000</i>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Backlog revenue to be recognised for projects which had contributed revenue during the Track Record Period	234,637	219,999	86,093
Backlog revenue to be recognised for projects which will only contribute revenue after the Track Record Period	6,794	139,761	9,116
	<u>241,431<sup>(Note)</sup></u>	<u>359,760</u>	<u>95,209</u>

*Note:* Out of the backlog revenue to be recognised for the nine months ending 31 March 2017, an amount of approximately HK\$89.3 million had already been recognised in the four months ended 31 October 2016, based on the unaudited management account. Thus, the total backlog revenue as of 31 October 2016 amounted to approximately HK\$607.1 million.

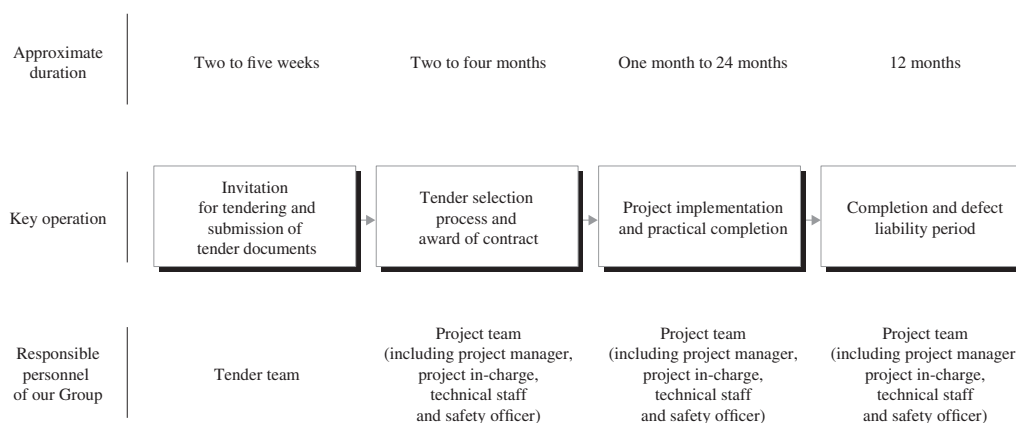
### Direct costs

	<b>For the year ended 31 March</b>					<b>For the three months ended 30 June</b>				
	<b>2014</b>	<b>% to actual costs</b>	<b>2015</b>	<b>% to actual costs</b>	<b>2016</b>	<b>% to actual costs</b>	<b>2015</b>	<b>% to actual costs</b>	<b>2016</b>	<b>% to actual costs</b>
	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)	<i>HK\$'000</i>	(%)
Subcontracting fees	153,052	56.2	84,748	48.9	72,996	52.8	18,075	54.2	27,455	61.6
Equipment and material costs	96,552	35.4	62,115	35.9	36,652	26.5	7,882	23.6	7,320	16.4
Direct labour costs	15,418	5.7	19,652	11.3	23,265	16.8	5,717	17.1	6,533	14.7
Others	7,339	2.7	6,697	3.9	5,369	3.9	1,709	5.1	3,247	7.3
<b>Actual costs</b>	<u>272,361</u>	<u>100.0</u>	<u>173,212</u>	<u>100.0</u>	<u>138,282</u>	<u>100.0</u>	<u>33,383</u>	<u>100.0</u>	<u>44,555</u>	<u>100.0</u>
Add: Net movement of amounts due from (to) customers for contract work	20,726		(12,037)		15,211		4,140		(5,213)	
<b>Direct costs</b>	<u>293,087</u>		<u>161,175</u>		<u>153,493</u>		<u>37,523</u>		<u>39,342</u>	

## BUSINESS MODEL

### Operational workflow

For illustration purposes, a simplified workflow of our typical E&M engineering operations is outlined as follows:



Our customers usually send us tender invitation letters or ask us to submit direct quotations for new projects.

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## SUMMARY

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To initiate a tender submission process, our tender team will prepare for our tender submission. In terms of our pricing policy, our tender team will consider each project on a case-by-case basis taking into account of various factors such as (i) the specifications of the project; (ii) the estimated project cost which mostly includes (a) the subcontracting fees, (b) equipment and material costs and (c) direct labour costs; (iii) tender records of similar projects; and (iv) our current capacity and resources. Related market information, such as price fluctuations for equipment and materials and resources at the relevant time, are also considered. For details of our pricing policy, please refer to the section headed “Business — Customers — Pricing Strategies” in this prospectus. After we have submitted our tender documents, we will attend an interview conducted by the customers. If the customer decides to award a contract to us, they will arrange for a letter of award or letter of acceptance to be signed by us.

A project team will be formed once we are awarded with a contract, which usually comprises a project manager, a project in-charge and certain number of technical staff depending on the specific requirements imposed by the customers. We will commence our work in accordance with the master programme provided by our customer and will utilise the time period between the award of project and commencement of site works, usually five to six months’ time, for our preparation. The project team will prepare a budget/cost sheet with particulars of the estimated costs to be incurred. A detailed project plan will also be prepared by the project team and be submitted to the E&M consultant designated by the customer for his approval. The project plan normally contains project organisation chart with resume of key staff, preliminary installation program, equipment and material submission schedule, sample submission schedule and drawing submission schedule, which indicate all the works to be completed in accordance with the work plan and the programme as contained in the tender documents.

We purchase major equipment and materials from our suppliers and they will deliver such equipment and materials to the work site directly. We may also engage subcontractors to assist in completing certain tasks stipulated in our contracts with the customer, such as engineering works for MVAC system, low voltage electrical system and other E&M systems. The project manager of the project team will conduct regular site inspection to ensure work quality and schedule are kept. He will also meet with the customer’s representatives regularly to report and follow up any outstanding issues. A project team member will be assigned to supervise our subcontractors to ensure their works can meet the customer’s standards and requirements.

We prepare interim payment applications to the customer which set out the amount and value of work done on a monthly basis. If there are variation orders, we will liaise with the customer directly to obtain instructions to proceed.

Thereafter, we perform relevant system testing and prepare a report for the customer’s acceptance together with corresponding operating and maintenance manual and as-fitted drawings. If the customer is satisfied with our works, the customer will issue a practical completion certificate and release our performance guarantee, if any, together with part of the retention money. If we expect any delay in completion, the main contractor will issue a notification of delay to the customer. After the completion of the project, all the notifications of delay will be sent to the architect of the customer for assessment to determine the number of days extended and thereafter determine whether any liquidated damages will be payable to the customer. During the Track Record Period and up to the Latest Practicable Date, we had no record of payment of any liquidated damages to our customers. After the practical completion, there is generally one year of defect liability period. During this period, we are required to make good any defect in the systems we provided and installed and other defective works at our own costs. The remaining of the retention money will be released usually within 14 days after the issue of the certificate of completion of making good defects.

### COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- we are an established E&M engineering services company in Hong Kong with proven track record and goodwill;
- we have maintained long term relationship with customers, suppliers and subcontractors;
- we have an experienced management team; and
- our commitment to deliver quality works and services with stringent quality, safety and environmental assurance.

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## SUMMARY

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

### BUSINESS STRATEGIES AND USE OF PROCEEDS

Our key business strategies are to:

- develop and expand our E&M engineering services business in the public sector and increase our competitiveness in the private sector through obtaining new qualifications and registrations;
- increase our financial capital for new projects by purchasing performance guarantee for our new projects; and
- continue to increase our operational efficiency through enhancing of our information technology and management system.

The aggregate net proceeds from the Global Offering to us (assuming an Offer Price of HK\$1.125 per Share and the Over-allotment Option is not exercised) will be approximately HK\$64.9 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$28.6 million, representing approximately 44.0% of the net proceeds from the Global Offering, will be utilised for the development and expansion of E&M engineering services business in the public sector and increasing our competitiveness in the private sector;
- approximately HK\$27.9 million, representing approximately 43.0% of the net proceeds from the Global Offering, will be utilised for the provision of performance guarantee so that our Group will be able to tender for more projects and with larger contract value;
- approximately HK\$1.9 million, representing approximately 3.0% of the net proceeds from the Global Offering, will be utilised for installation of enterprise resources planning (“ERP”) system to increase our operational efficiency; and
- the remaining balance of approximately HK\$6.5 million, representing approximately 10.0% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

For details of our business strategies and use of proceeds and implementation plan, please refer to the sections headed “Business — Our business strategies and future plans” and “Future plans and use of proceeds” respectively in this prospectus.

### CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

Our Group usually receives invitations from customers to submit tenders for potential projects. For the three years ended 31 March 2016 and the three months ended 30 June 2016, our Group had made 370, 514, 442 and 99 submissions to our potential customers respectively, and our success rate were approximately 13.0%, 12.1%, 8.6% and 4.0% in each of the respective year/period. Since our Group has dedicated substantial part of our resources and capacity to some sizeable projects which we had successfully tendered for in the past years, therefore in view of our resources and capacity, we submitted less competitive tenders for projects and hence our success rate was reduced. The revenue generated by our Group’s five largest customers in aggregate accounted for approximately 83.9%, 65.1%, 76.5% and 72.0% of the total revenue for the three years ended 31 March 2016 respectively and the three months ended 30 June 2016. For details of our Group’s customers, please refer to the section headed “Business — Customers” in this prospectus. Besides, our Group’s five largest suppliers, including reputable Japanese and American air-conditioning equipment manufacturers, accounted for approximately 20.8%, 21.7%, 17.1% and 10.6% of our total actual costs for the three years ended 31 March 2016 respectively and the three months ended 30 June 2016. While our Group’s five largest subcontractors accounted for approximately 29.1%, 19.6%, 31.1% and 35.2% of our total actual costs for the three years ended 31 March 2016 respectively and the three months ended 30 June 2016.

### SHAREHOLDERS’ INFORMATION

Our Controlling Shareholders are Mr. Yu, Mr. Lau, Prosperously Legend and Simply Grace. Pursuant to the Acting-in-concert Confirmation, our Controlling Shareholders have been parties acting in concert since 21 July 2004 and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the confirmation. For details, please refer to the section

## SUMMARY

headed “History, reorganisation and corporate structure — Acting-in-concert confirmation” in this prospectus. Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Controlling Shareholders will together be entitled to exercise or control the exercise of 75% of the issued share capital of our Company. For details of our Controlling Shareholders, please refer to the section headed “Relationship with our Controlling Shareholders — Controlling Shareholders” in this prospectus. Each of our Controlling Shareholders, our Directors, our substantial shareholders and their respective close associates does not have any interest in a business apart from our Group’s business which competes or may compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to the Listing Rules.

### FINANCIAL INFORMATION

#### Key Financial Information

	For the year ended 31 March			For the three months ended	For the three months ended
	2014	2015	2016	30 June	30 June
	HK\$’000	HK\$’000	HK\$’000	2015 HK\$’000	2016 HK\$’000
				(unaudited)	
<b>Results of operation of our Group</b>					
Revenue	330,772	183,788	190,242	42,466	45,752
Gross profit	37,685	22,613	36,749	4,943	6,410
Profit (loss) before taxation	30,277	14,732	28,601	4,070	(3,600) <sup>(1)</sup>
Profit (loss) for the year/period	25,018	12,142	23,648	3,550	(4,186) <sup>(2)</sup>

Notes:

- (1) For the three months ended 30 June 2016, our Group incurred a loss before taxation due to the listing expenses of approximately HK\$7.2 million incurred during the period. Our profit before taxation (after excluding our listing expenses which were not expenses incurred in the ordinary and usual course of business) was approximately HK\$3.6 million.
- (2) For the three months ended 30 June 2016, our Group incurred a loss for the period due to the listing expenses of approximately HK\$7.2 million incurred during the period. Our profit for the period (after excluding our listing expenses which were not expenses incurred in the ordinary and usual course of business) was approximately HK\$3.0 million.

The decrease in revenue from approximately HK\$330.8 million for the year ended 31 March 2014 to approximately HK\$183.8 million for the year ended 31 March 2015 was due to (i) a residential project for MVAC works in Yuen Long which is the largest project in the year ended 31 March 2014, tender of which was awarded in the year ended 31 March 2012 and revenue of which was mostly recognised in the year ended 31 March 2014, contributed approximately HK\$90.1 million for the year ended 31 March 2014; and (ii) the second largest to the fifth largest projects in the year ended 31 March 2014, tenders of which were awarded in the years ended 31 March 2012 and 2013 and revenue of which was mostly recognised in the year ended 31 March 2014, contributed HK\$161.5 million for the year ended 31 March 2014. The substantial part of work of these projects were completed and certified for the year ended 31 March 2014, contributing significantly to our revenue for the year ended 31 March 2014.

On the contrary, the top five projects for the year ended 31 March 2015 only contributed approximately HK\$101.0 million or 54.9% of our Group revenue, represented a decrease of approximately HK\$150.6 million, comparing to the top five projects for the year ended 31 March 2014.

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Net current assets</b>				
Current assets	104,962	107,909	135,944	141,761
Current liabilities	72,404	68,254	70,155	76,120
Net current assets	32,558	39,655	65,789	65,641

## SUMMARY

### Cash Flow

The following table summarises the net cash flow of our activities for the Track Record Period:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash from (used in) operating activities	33,656	(28,381)	37,061	9,190	1,600
Net cash (used in) from investing activities	(24,686)	3,612	13,957	4,715	(514)
Net cash from (used in) financing activities	10,412	(11,263)	(4,335)	(2,524)	(961)
Net increase (decrease) in cash and cash equivalents	19,382	(36,032)	46,683	11,381	125
Cash and cash equivalents at the end of the year, represented by bank balances and cash	46,431	10,399	57,082	21,780	57,207

The change in net operating cash flow from net cash from operating activities of approximately HK\$33.7 million for the year ended 31 March 2014 to net cash used in operating activities of approximately HK\$28.4 million for the year ended 31 March 2015 was mainly due to the combined effects of (i) the decrease in profit before taxation from HK\$30.3 million for the year ended 31 March 2014 to HK\$14.7 million for the year ended 31 March 2015 mainly attributable to the decrease in revenue from HK\$330.8 million for the year ended 31 March 2014 to HK\$183.8 million for the year ended 31 March 2015. The decrease in revenue was mainly due to the top five projects in the year ended 31 March 2014, tenders of which were awarded in the years ended 31 March 2012 and 2013 and revenue of which was mostly recognised in the year ended 31 March 2014. For further details, please refer to the section headed “Financial information — Discussion of results of operations” in this prospectus; and (ii) the increase in trade receivables from approximately HK\$7.8 million as at 31 March 2014 to approximately HK\$40.6 million as at 31 March 2015 principally attributable to two residential projects, which had large sum of billing just raised to our customers for certified work performed by our Group in the last quarter for the year ended 31 March 2015. For further details, please refer to the section headed “Financial information — Assets and liabilities” in this prospectus.

### Key Financial Ratios

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	For the year ended/as at 31 March			For the three months ended/as at 30 June	
	2014	2015	2016	2016	
Gross profit margin	11.4%	12.3%	19.3%	14.0%	
Net profit (loss) margin	7.6%	6.6%	12.4%	(9.1%) <sup>(1)</sup>	
Current ratio	1.4 times	1.6 times	1.9 times	1.9 times	
Gearing ratio <sup>(2)</sup>	28.6%	26.2%	19.1%	18.0%	
Return on total assets	17.4%	8.4%	14.7%	(2.5%) <sup>(1)</sup>	
Return on equity	35.2%	16.2%	26.2%	(4.6%) <sup>(1)</sup>	

*Notes:*

- (1) For the three months ended 30 June 2016, our Group incurred a net loss due to the listing expenses of approximately HK\$7.2 million incurred during the period. Our net profit margin, return on total assets and return on equity were approximately 6.5%, 1.8% and 3.3% respectively after excluding our listing expenses which were not expenses incurred in the ordinary and usual course of business.
- (2) Gearing ratio is calculated as the bank borrowings divided by total equity as at the end of the respective years/periods and multiplied by 100%.

For details, please refer to the section headed “Financial information — Key financial ratios” in this prospectus.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on the provision of E&M engineering services in Hong Kong and our business model has remained unchanged. Moreover, subsequent to 31 March 2016 and up to the Latest Practicable Date, we had been awarded ten E&M engineering projects with total contract value of approximately



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## SUMMARY

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HK\$85.5 million and have submitted tenders in respect of five E&M engineering projects with individual contract value of over HK\$50.0 million. As at 31 October 2016, the estimated aggregate backlog revenue to be generated from the awarded E&M engineering projects would be approximately HK\$607.1 million, as compared to approximately HK\$453.2 million as at 31 October 2015. The number of our E&M engineering projects on hand with contract value exceeding HK\$50.0 million has also increased from seven as at 31 October 2015 to eight as at 31 October 2016.

As set out in the section headed “Financial information — Description of selected components of consolidated income statement — Revenue” in this prospectus, our revenue may be affected from time to time by the number, size, location and types of projects involved, nature of services to be provided and stage of completion of the projects in the relevant time periods. According to our unaudited management accounts for the seven months ended 31 October 2015, the audited consolidated financial statements for the three months ended 30 June 2016 and the unaudited management accounts for the four months ended 31 October 2016, we recorded an increase in revenue for the seven months ended 31 October 2016 as compared to that for the seven months ended 31 October 2015.

Save as the listing expenses, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period. Furthermore, there has been no material interruption to our business and there has been no material adverse change in the E&M engineering services industry in Hong Kong subsequent to 30 June 2016 and up to the date of this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

Save as disclosed in the paragraphs headed “— Recent developments” and “— Listing expenses” in this section, our Directors confirm that, subsequent to 30 June 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial information in the Accountants’ Report as set out in Appendix I to this prospectus.

### **LISTING EXPENSES**

The total estimated listing expenses in connection with the Global Offering are approximately HK\$27.1 million (based on the mid-point of the Offer Price of HK\$1.125 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately HK\$1.5 million and HK\$7.2 million has been charged to our consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and for the three months ended 30 June 2016 respectively, and approximately HK\$8.4 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the nine months ending 31 March 2017, and approximately HK\$8.0 million is expected to be accounted for as a deduction from equity upon the Listing and the remaining amount of HK\$2.0 million will be borne by the Selling Shareholders.

Our Directors consider that our financial results will be affected by the estimated listing expenses in relation to the Global Offering as we expect to recognise approximately HK\$15.6 million in the consolidated statement of profit or loss and other comprehensive income for the year ending 31 March 2017. Accordingly, the financial performance for the year ending 31 March 2017 is expected to be adversely affected by such listing expenses.

### **DIVIDENDS**

Our Company may opt to distribute dividends by way of cash or by other means that our Board considers appropriate. Our Board has absolute discretion to propose any distribution of dividends and such proposal is subject to the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders’ interests and any other conditions that our Board may deem relevant. During the year ended 31 March 2015, Shun Hing HK declared and paid dividends of HK\$10.0 million (HK\$2.083 per share) to its then shareholders. During the year ended 31 March 2016, Golden Light declared and paid dividends of approximately HK\$1.4 million (HK\$5.560 per share) to its then shareholders. Dividends declared and paid in prior periods may not be indicative of our Company’s future dividend payments. Our Company cannot guarantee when, if

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## SUMMARY

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and in what form dividends will be paid in the future. Our Company currently does not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of our Board and depend at the discretion of our Directors. For the dividend declared by our Group during the Track Record Period, please refer to the section headed “Financial information — Dividend and distributable reserves” in this prospectus.

### STATISTICS OF THE GLOBAL OFFERING

Number of Offer Shares	:	100,000,000 Shares (comprising 80,000,000 new Shares and 20,000,000 Sale Shares) (subject to the Over-allotment Option)
Over-allotment Option	:	Up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the initial size of the Global Offering
Offering structure	:	Hong Kong Public Offering of 10,000,000 Shares, representing 10% of the Offer Shares (subject to reallocation) and International Placing of 90,000,000 Shares, representing 90% of the initial number of Offer Shares (comprising 70,000,000 new Shares and 20,000,000 Sale Shares) (subject to reallocation and the Over-allotment Option)
Offer Price range	:	HK\$1.00 to HK\$1.25 per Offer Share
Board lot	:	2,000 Shares

	<u>Based on the minimum indicative Offer Price of HK\$1.00 per Offer Share</u>	<u>Based on the maximum indicative Offer Price of HK\$1.25 per Offer Share</u>
Market capitalisation	HK\$400 million	HK\$500 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share	HK\$0.39	HK\$0.44

### RISK FACTORS

There are certain risks involved in our Group’s operations, many of which are beyond our Group’s control, including but not limited to those relating to our business, industry, and the Global Offering. A detailed discussion of the risk factors that our Directors believe are particularly relevant to the Group is set out in the section headed “Risk factors” in this prospectus. Some of the major risks we face include the following:

- our Group’s past revenue and profit margin may not be indicative of our Group’s future revenue and gross profit margin
- our gross profit margin depends on the tender price of each project, which in turn is based on the estimated costs and time to be involved
- we require various registrations, licenses and certifications to operate our business in Hong Kong
- we have records of non-compliance with certain Hong Kong ordinances and regulations
- we may be subject to additional tax liabilities
- personal injuries, property damages or fatal accidents may occur at work sites
- any changes in environmental requirements may increase our Group’s compliance costs
- our Group operates in a competitive E&M engineering services industry
- there has been no prior public market for our Shares

### INCORRECT TAX RETURNS FILED WITH THE IRD AND SYSTEMIC NON-COMPLIANCE OF OUR GROUP

During the Track Record Period, the accounting treatment of certain financial statement items were erroneously applied in the historical statutory financial statements of our Group’s subsidiaries Shun Hing HK and Golden Light resulting in corresponding errors in the tax returns filed with the IRD and we have been involved in systemic non-compliance with the Construction Industry Council Ordinance, the Pneumoconiosis and Mesothelioma (Compensation) Ordinance and the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations. For details, please refer to the sections headed “Financial information — Description of selected components of consolidated income statement — Income tax expense” and “Business — Systemic non-compliance of our Group” respectively in this prospectus.

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## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to this prospectus
“Acting-in-concert Confirmation”	the acting-in-concert confirmation entered into between Mr. Yu and Mr. Lau dated 7 July 2016
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s), or where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 6 December 2016, which will come into effect upon the Listing, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Blissful Choice”	BLISSFUL CHOICE LIMITED, a company incorporated under the laws of the BVI on 18 April 2016 with limited liability, and a direct wholly-owned subsidiary of our Company
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 319,999,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and general information — A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 6 December 2016” in Appendix V to this prospectus
“Cayman Share Registrar”	Codan Trust Company (Cayman) Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it in the Listing Rules
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	SH Group (Holdings) Limited (順興集團(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 9 May 2016
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, means Mr. Yu, Mr. Lau, Prosperously Legend and Simply Grace
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 6 December 2016 entered into between our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries from time to time), particulars of which are set out in the section headed “Statutory and general information — E. Other information — 1. Tax and other indemnity” in Appendix V to this prospectus

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## DEFINITIONS

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“Deed of Non-competition”	the deed of non-competition dated 6 December 2016 entered into between our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries from time to time), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)” or “our Director(s)”	director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Golden Light”	Golden Light Engineering Limited (顯輝工程有限公司), a company incorporated under the laws of Hong Kong on 28 November 1986 with limited liability and an indirect wholly-owned subsidiary of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
“ <b>HK eIPO White Form</b> ”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designed by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK dollars” or cents	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Offer Shares”	the 10,000,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price 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 Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 16 December 2016 relating to the Hong Kong Public Offering entered into between our Company, our Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters
“Independent Third Parties”	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates, and an “ <b>Independent Third Party</b> ” means any of them
“Innovax Capital” or “Sole Sponsor”	Innovax Capital Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO), acting as the sole sponsor of the Global Offering
“International Placing”	the conditional placing of the International Placing Shares, at the Offer Price with professional, institutional and other investors by the International Underwriters on behalf of our Company as described in the section headed “Structure and conditions of the Global Offering” in this prospectus

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## DEFINITIONS

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“International Placing Shares”	the 90,000,000 Offer Shares (comprising 70,000,000 new Shares to be offered for subscription by our Company and 20,000,000 Sale Shares to be offered for sale by the Selling Shareholders) initially being offered for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, but subject to the adjustment as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Underwriting Agreement”	the underwriting agreement in relation to the International Placing expected to be entered into on the Price Determination Date between our Company, our Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the International Underwriters
“International Underwriters”	the underwriters of the International Placing
“Ipsos”	Ipsos Limited, the independent market research agency engaged by our Company to prepare the Ipsos Report
“Ipsos Report”	the market research report prepared by Ipsos
“Joint Bookrunners” or “Joint Global Coordinators” or “Joint Lead Managers”	Pacific Foundation Securities Limited and Innovax Capital
“Latest Practicable Date”	12 December 2016, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
“Legal Counsel”	Mr. Billy C.K. Poon, Barrister-at-law, Hong Kong
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board first commence, which is expected to be on 3 January 2017
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time

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## DEFINITIONS

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“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on 6 December 2016 and a summary of which is set out in Appendix IV to this prospectus
“Mr. Yu”	Yu Cheung Choy (俞長財), the chairman of the Board, an executive Director and a Controlling Shareholder
“Mr. Lau”	Lau Man Ching (劉文青), the chief executive officer, an executive Director and a Controlling Shareholder
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage, the SFC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in the section headed “Structure and conditions of the Global Offering — Pricing and allocation — Determining the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the other International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the initial size of the Global Offering, to cover over-allocations in the International Placing, as described in the section headed “Structure and conditions of the Global Offering — Over-allotment Option” in this prospectus
“PCFB”	the Pneumoconiosis Compensation Fund Board
“PRC” or “China”	The People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014



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## DEFINITIONS

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“Price Determination Date”	the date, expected to be on or around Wednesday, 28 December 2016 but no later than Friday, 30 December 2016, on which the Offer Price is fixed for the purpose of the Global Offering
“Prosperously Legend”	Prosperously Legend Limited, a company incorporated under the laws of the BVI on 15 March 2016 with limited liability, which is wholly-owned by Mr. Yu
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, which is more particularly described in the section headed “History, reorganisation and corporate structure” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and general information — A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 6 December 2016” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 20,000,000 Shares initially being offered by the Selling Shareholders for sale under the Global Offering
“Selling Shareholders”	Prosperously Legend and Simply Grace
“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
“Shares”	ordinary shares of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 6 December 2016, a summary of its principal terms is set forth in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix V to this prospectus

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## DEFINITIONS

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“Shun Hing HK”	Shun Hing E & M Engineering Limited (順興機電工程有限公司), formerly known as Shun Hing Refrigerator Air-conditioning Engineering Limited (順興雪櫃冷氣工程有限公司), a company incorporated under the laws of Hong Kong on 11 August 1987 with limited liability and an indirect wholly-owned subsidiary of our Company
“Simply Grace”	SIMPLY GRACE LIMITED, a company incorporated under the laws of the BVI on 8 February 2016 with limited liability, which is wholly-owned by Mr. Lau
“sq.f.”	square feet
“Stabilising Manager”	Pacific Foundation Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Prosperously Legend on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“tax returns”	Hong Kong Profits Tax Returns
“Track Record Period”	the three financial years ended 31 March 2016 and the three months ended 30 June 2016
“Triumph Legend”	Triumph Legend Ltd, a company incorporated under the laws of the BVI on 16 March 2016 with limited liability and a direct wholly-owned subsidiary of our Company
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollars” or “US dollars”	United States dollars, the lawful currency of the United States

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## DEFINITIONS

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“ <b>WHITE</b> Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s)
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent.

*Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.*

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

*For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1.0 = HK\$7.75. No representation is made that the US\$ amounts could have been, or could be, converted into HK\$ at such rates or at any other rate on such date or on any other date.*

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## GLOSSARY

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*This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. Some of these terms may not correspond to standard industry definitions.*

“Buildings Department”	Buildings Department of the Hong Kong Government
“CAGR”	compound annual growth rate
“CIC”	Construction Industry Council
“Contractor List”	list of contractors for public works
“domestic subcontractor”	the subcontractor who contracts with the main contractor in carrying out certain parts of the project
“E&M engineering”	electrical and mechanical engineering
“EMSD”	Electrical and Mechanical Services Department of the Hong Kong Government
“GDP”	gross domestic product
“IRD”	Inland Revenue Department of the Hong Kong Government
“ISO”	International Organization for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001”	requirements set by the ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts
“ISO 9001”	requirements set by the 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 9002”	requirements set by the ISO as “Model for quality assurance in production, installation and servicing.” It is now obsolete and has been replaced by ISO 9001
“LTIFR”	lost time injuries frequency rate which shows how many lost time injuries occurred over a specified time (e.g. for certain amount of hours)
“MVAC” or “MVAC system”	mechanical ventilation and air-conditioning system

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## GLOSSARY

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“nominated subcontractor”	subcontractor who contracts with the customer directly to assist the main contractor in carrying out certain parts of the project
“non-residential projects”	projects that do not involve residential flats
“OHSAS”	Occupation Health and Safety Assessment Series
“OHSAS 18000” and “OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“private sector”	construction works commissioned by individuals, privately owned property development companies and commercial enterprises
“public sector”	construction works commissioned by Hong Kong Government, MTR Corporation Limited and the Airport Authority. Construction works commissioning departments and statutory bodies of the Hong Kong Government include the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environment Protection Department, Highways Department, Architectural Services Department, Water Services Department and Housing Authority
“Registered Electrical Contractor” or “REC”	registered electrical contractor with the EMSD
“residential projects”	projects that involve residential flats
“SRS”	Subcontractor Registration Scheme of the CIC
“Specialist List”	List of Approved Suppliers of Materials and Specialist Contractors for Public Works
“variation order”	such changes of works requested by the customer during the contract period
“WBDB”	Works Branch of the Development Bureau of the Hong Kong Government, which maintains the Contractor List and the Specialist List to monitor the eligibility of a contractor to tender for Hong Kong Government contracts

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.*

### RISKS RELATING TO OUR BUSINESS

**Our Group's past revenue and profit margin may not be indicative of our Group's future revenue and gross profit margin, in particular, our Group's revenue is derived from E&M engineering services projects, which are non-recurrent in nature, and our Group may achieve lower-than-expected revenue if it fails to maintain continuity of our Group's order book for its new projects**

For each of the three years ended 31 March 2016 and the three months ended 30 June 2016, our Group's revenue amounted to approximately HK\$330.8 million, HK\$183.8 million, HK\$190.2 million and HK\$45.8 million respectively. During the Track Record Period, we derived all our revenue from provision of E&M engineering services, which are non-recurring in nature. Our Group tendered a mixture of projects covering different project sizes and project types. Upon our submission of tender documents, it would be subject to customers' decision as to whether we can be awarded with the projects. In general, our customers engage us on a project-by-project basis. We did not enter into any long term agreement or master service agreement with our customers as at the Latest Practicable Date. Our customers have no obligation to engage us again in their subsequent projects, if any. We still need to undergo tender process for every new project. As such, the number and scale of E&M engineering projects and the amount of revenue driven from such projects may vary significantly from period to period. If our projects in the future decrease significantly, our revenue will decrease accordingly. In that event, our operations and financial results would be adversely affected.

We cannot assure you that we will continue to secure new projects in the future and therefore it may be difficult to forecast the volume of future business. As such, our historical growth rate, revenue and gross profit margin may not be indicative of our future performance. Our growth rate, revenue and profit margin are subject to many factors, including but not limited to the overall market condition, competition intensity among contractors and labour costs. 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 the construction plans, as a result of which our Group's business, financial condition and results of operations could be materially and adversely affected.

We cannot assure you that we can achieve our performance during the Track Record Period in the future and there is no guarantee that we can maintain our historical growth rate and gross profit margin in the future.

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## RISK FACTORS

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**Our gross profit margin depends on the tender price of each project, which in turn is based on the estimated costs and time to be involved. If the actual costs deviate significantly due to our miscalculation or other unexpected circumstances, our operations and financial results will be adversely impacted**

Our gross profit margin is dependent on, among other things, our ability to control costs and subject to other risk factors as set out in this section. We enter all our projects on a lump sum fixed-price basis. In general, we will perform an estimation of costs before submitting tender or quotations to our customers. Factors such as the accuracy of estimation on the costs when committing to the amount of its fees and the complexity of the project may significantly affect our profit margins for carrying out different E&M engineering projects. The actual costs and time we incurred in each project may be adversely affected by many factors, including but not limited to labour shortage, unfavourable weather conditions, disputes with suppliers, customers, and subcontractors and/or other parties in the project, which may lead to significant delay in project completion. In most cases, customers may request for variation in the scope of work which are to be accepted on the basis that respective variation orders are agreed upon. Therefore, it is crucial for us to estimate and control the actual amount of costs accurately in each project. However, some of these factors are outside of our control and we cannot assure that our initial estimation of the costs has taken into account all these factors. As such, we may achieve lower-than-expected profits or even incur losses on that project when we meet any delays, cost overruns or mismatch of actual costs and time with our estimates which may have an adverse impact on our operations and financial results.

**We rely on our subcontractors to complete our projects. Any delay or defects on their part would adversely affect our operations and financial results**

During the Track Record Period, most of our projects were completed by subcontractors engaged by us. For each of the three years ended 31 March 2016 and the three months ended 30 June 2016, the actual costs of engaging our subcontractors were approximately HK\$153.1 million, HK\$84.7 million, HK\$73.0 million and HK\$27.5 million, representing 56.2%, 48.9%, 52.8% and 61.6% of our actual costs respectively.

We cannot assure that work completed by our subcontractors were up to our standard. If our subcontractors fail to carry out their works in accordance with our requirements and standards, 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.

In addition, we may not be able to engage suitable subcontractors for our new projects. As at the Latest Practicable Date, we had not entered into any long term service agreement with our subcontractors. As such, our existing subcontractors have no obligation to be engaged by us in future projects. If we fail to find suitable alternative subcontractors to meet our new project needs and requirements, our operations and financial results will be adversely affected.

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## **RISK FACTORS**

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### **Increase of our equipment and material costs may adversely affect our Group's operations and financial performance**

For each of the three years ended 31 March 2016 and the three months ended 30 June 2016, our equipment and material costs amounted to approximately HK\$96.6 million, HK\$62.1 million, HK\$36.7 million and HK\$7.3 million respectively, representing approximately 35.4%, 35.9%, 26.5% and 16.4% of our actual costs respectively. Please refer to the section headed "Financial information — Description of selected components of consolidated income statement — Direct costs and actual costs" in this prospectus for the sensitivity analysis illustrating the impact of hypothetical fluctuations in equipment and material costs on our profit during the Track Record Period.

The change in equipment and material costs may or may not be able to shift to our Group's customers. In the event that the increase in equipment and material costs is more than our Group's expectation, our Group's operations and profitability may be adversely affected.

### **We depend on the quality and supply of our suppliers**

We work closely with the five largest suppliers of our Group for our business operations, being the suppliers of air-conditioning equipment, ventilation equipment, MVAC control equipment and accessories, and other relevant equipment and accessories in Hong Kong. We are dependent on the quality and continued supply of these equipment and accessories to maintain the provision of our E&M engineering services. For each of the three years ended 31 March 2016 and the three months ended 30 June 2016, the total purchases from these suppliers were approximately HK\$56.4 million, HK\$37.6 million, HK\$23.7 and HK\$4.7 million, respectively, representing approximately 20.8%, 21.7%, 17.1% and 10.6% of our total actual costs, respectively.

We have currently entered into non-exclusive dealership arrangements with four air-conditioning equipment manufacturers directly including one reputable Japanese brand and three reputable USA brands during the Track Record Period. For details of these dealership arrangements, please refer to the section headed "Business — Suppliers — Key terms of our dealership agreements" in this prospectus. We have no guarantee that we can renew these non-exclusive dealership arrangements and continue to receive stable and quality supplies from these suppliers. If the five largest suppliers of our Group cease to operate, we may have to source for alternative suppliers and we may not be able to source alternatives with similar costs and quality. It will then affect our profitability and financial performance.

### **We may be involved in complaints, disputes, legal and other proceedings arising from our operations which may result in significant consequences to our Group**

As we operate as an E&M contractor in projects involving different parties, we may be involved in claims or disputes with various parties in the project. We may receive claims from or dispute with our customers and our subcontractors on different matters including, among others, the value of works completed in a particular period, the valuation of any variation orders, the quality of the works completed and length of project delay. We may dispute with our employees on matters such as personal



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## RISK FACTORS

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injury claims. For details regarding occupational health and work safety, please refer to the section headed “Business — Occupational health and work safety” in this prospectus. We cannot assure that we can resolve all these disputes by way of negotiation and/or mediation with the relevant parties. If we fail to resolve the disputes, it may result in legal and other proceedings against us, which may lead to heavy legal costs and significant damages if we fail to obtain favourable outcome in such proceedings. The costs incurred and the compensation or fine payable in relation to these claims, disputes or legal proceedings may not be covered by our insurance policies or insurance policies maintained by our main contractors. These proceedings can be time-consuming, expensive and may share our Group’s management and other human resources in dealing with these proceedings which may adversely affect our operations and financial results.

**We require various registrations, licenses and certifications to operate our business in Hong Kong. Any expiry, withdrawal, revocation, downgrading and/or failure to renew of such registrations, licenses and certifications would adversely affect our operations and financial results**

We possess and rely on various registrations, licenses and certifications to operate our business in Hong Kong. Please refer to the section headed “Regulatory overview” in this prospectus for a summary of such registrations, licenses and certifications.

These registrations, licenses and certifications may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant authorities. Further, the relevant authorities may remove us from the Specialist List or take out disciplinary actions against us. Losing any of these registrations, licenses and certifications may result in suspension of our operations, which would have a material impact on our operations and financial results.

**Loss of authorised signatories for our registrations maintained with the Buildings Department could materially and adversely affect our business**

We maintain several registrations with the Buildings Department, which require us to have at least one authorised signatory to carry out certain duties for the purpose of the Buildings Ordinance. As at the Latest Practicable Date, (i) for the registration of registered specialist contractor (ventilation works), the roles of authorised signatory were taken up by Mr. Lau and Mr. Lee Chun Mo and the role of technical director was taken up by Mr. Lau; and (ii) for the registration of registered minor works contractor, the roles of authorised signatory were taken up by Mr. Lau, Mr. Lee Yui, Mr. Wong Wing Wai, Mr. Lee Foo Kwan, Mr. Lo Siu Kee and Mr. Lee Chun Mo (in different classes and types) and the role of technical director was taken up by Mr. Lau. The Building Authority imposes certain requirements on the qualifications and experience of such authorised signatory and technical director. For further details, please refer to the section headed “Regulatory overview — A. Contractors registration regimes” in this prospectus.

Our certain potential customers may consider the registrations maintained by our Group during the tendering process. We may also, without subcontracting such works to subcontractors, carry out certain building works to which the relevant registrations maintained with the Buildings Department

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## **RISK FACTORS**

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apply. If we cannot retain our authorised signatories or technical director, it would potentially result in suspension of our registrations maintained with the Buildings Department, in which case we must cease to conduct the relevant buildings works until the replacement of such authorised signatories/technical director. In the event that we fail to identify and engage suitable replacements for authorised signatories/technical director in a timely manner and at reasonable costs, our competitiveness may be impaired and its business and performance could be adversely affected.

If we fail to identify and apply for replacement of an alternative qualified authorised signatory or technical director in a timely manner and at reasonable costs, our business operations and financial performance may be adversely affected.

### **We rely on certain key personnel and our ability to attract and retain talented staff**

Our success has been, and will continue to be, relying heavily on certain key personnel. In particular, we rely on the expertise and experience of the two executive Directors. Our chairman and executive Director, Mr. Yu, has over 29 years of experience in the E&M engineering services industry in Hong Kong. Our chief executive officer and executive Director, Mr. Lau, also has over 28 years of experience in E&M engineering services industry. In addition, most of our senior management have over 18 years of experience in the relevant industries. Please refer to the section headed “Directors, senior management and employees” in this prospectus for further details.

If one or more of these key personnel are unable or unwilling to continue in their present positions, we might not be able to find suitable replacements in a timely manner, or at all. There is no guarantee that we will be able to attract and retain our current personnel or that they will not resign in the future. If we are unable to retain our staff in the future, our business may be severely disrupted and our operations and financial results will hence be adversely affected.

### **Our Group is exposed to environmental liability**

Our Group’s business operations are subject to the standards imposed by environmental laws and regulations in Hong Kong in respect of air pollution, noise control, water pollution and waste disposal. In the event that our Group fails to comply with these environmental laws and regulations, it may cause delays in the progress of our Group’s projects and lead to a negative impact on our Group’s 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 information and more detailed discussion of these laws, regulations and standards, please refer to the section headed “Regulatory overview” in this prospectus.

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## RISK FACTORS

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### **Our Group is exposed to certain types of liabilities that are generally not insured**

Our Group is exposed to certain types of liabilities, such as 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. In the event that an uninsured liability arises, our Group may achieve lower-than-expected profit or even suffer losses, which may adversely affect our Group's financial performance.

### **Our financial performance will be affected by the listing expenses, which are non-recurring in nature**

We expect that the total listing expenses excluding fees payable by the Selling Shareholders, which is non-recurring in nature, will amount to approximately HK\$25.1 million. We recorded listing expenses of approximately HK\$1.5 million and HK\$7.2 million for the year ended 31 March 2016 and for the three months ended 30 June 2016 respectively. We expect to recognise approximately HK\$8.4 million in the consolidated statements of comprehensive income for the nine months ending 31 March 2017. Accordingly, the financial performance for the year ending 31 March 2017 is expected to be adversely affected by the estimated expenses in relation to the Listing. Such listing expenses would be current estimate for reference only and the final amount is subject to change.

### **We cannot assure that our safety measures and procedures implemented on work sites could prevent occurrence of accidents which may result in personal injuries, property damages or fatal accident**

We have adopted certain work safety measures and procedures for our staff and subcontractors' staff. Please refer to the section headed "Business — Occupational health and work safety" in this prospectus for further details.

Due to our business nature, all the staff on work sites may be exposed to work environment which could result in property damages or fatal accident. We cannot assure that our safety measures and procedures are properly implemented and even if they are, we cannot assure that such measures and procedures can prevent occurrence of accidents. If accidents occur on our work site, we may be exposed to claims and litigations. These would adversely affect our operations and financial results.

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

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. The value of the works completed is assessed by our customer's representatives who will issue an interim certificate certifying the work progress in the preceding month. 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. As for contract with public sector customers, the certified value retained at each stage is generally 2% of the progress payment, subject to a limit of retention fund of not more than 2% of the

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## **RISK FACTORS**

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total contract value. As for contracts with private sector customers, the certified value retained at each stage is generally 10%, subject to a limit of retention fund of not more than 5% of the total contract value. In general, the retention money will be released to us after expiry of the defect liability period subject to the confirmation from the project architect regarding satisfaction with our works.

There can be no assurance that the progress payment is paid to us on time and in full, or the retention money or any future retention money will be released by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

### **Late and partial payment from our customers affect our cash flow for supplier bill and subcontractor progress payment**

We normally receive progress payment from our customers during different stages of our projects between the contract commencement date and the contract completion date or in some cases after the maintenance period or defect liability period. Upon receiving these progress payment, we may apply part of it to settle our bills with subcontractors and suppliers. For each of the three years ended 31 March 2016 and the three months ended 30 June 2016, the trade receivables turnover days of our Group were 10.5 days, 48.1 days, 66.3 days and 36.4 days during the respective periods, while the trade and bills payables turnover days were 26.0 days, 47.5 days, 38.8 days and 30.8 days, respectively. There is no assurance that our customers can pay us on time and in full upon respective payment period. Any failure by our customers to make payment on time and in full may lead to mismatch on cash flow which may adversely and materially affect our cash flow and financial performance.

### **We have records of systemic non-compliance with certain Hong Kong ordinances and regulations**

There were a number of instances of systemic non-compliance with certain Hong Kong ordinances and regulatory requirements by our Group. These include non-compliance with the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) (“CICO”), the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) (“PMCO”) and the Pneumoconiosis and Mesothelioma Compensation (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong) (“PMCALR”). For details of the systemic non-compliance matters, please refer to the section headed “Business — Systemic non-compliance of our Group” in this prospectus. Despite the fact that we have rectified such non-compliances by completing the relevant filing requirements and payment of levies, there is no assurance that the relevant Government authorities will not take enforcement actions against us in the future.

### **We may be subject to additional tax liabilities**

Our subsidiaries, Shun Hing HK and Golden Light, had completed and filed their Hong Kong tax returns with the IRD incorrectly before and during the Track Record Period and hence they had committed an offence under section 80(2) of the Inland Revenue Ordinance (Chapter 112 of the Laws

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## RISK FACTORS

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of Hong Kong) (the “IRO”), the maximum penalty could reach up to a compound of HK\$10,000 plus a fine of up to three times the amount of tax undercharged. If section 82A of the IRO is applicable, the potential fine penalty that may be charged by the IRD as at 1 April 2013 and for the years ended 31 March 2014 and 31 March 2015 would be amounted to approximately HK\$550,000 for Shun Hing HK and HK\$9,000 for Golden Light, plus compound interests at the prevailing best bank lending rate. For details, please refer to the section headed “Financial information — Description of selected components of consolidated income statement — Income tax expense” in this prospectus. There is no assurance that the Commissioner of the Inland Revenue will not take penal actions against Shun Hing HK or Golden Light in the future.

### **RISKS RELATING TO OUR INDUSTRY**

#### **The E&M engineering services industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction workers and construction materials**

The E&M engineering 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 Hong Kong 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. The average wage of construction workers in Hong Kong keeps increasing. This is mainly due to the growing E&M engineering services industry in Hong Kong and the shortage of experienced and skilful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the E&M engineering services industry. In addition, the costs of construction materials have also demonstrated a general increasing trend over the past few years. The general increases in construction material prices are affected by, among other factors, the strong construction demand. In view of the potential increase in the cost of construction workers and construction materials, it could materially and adversely affect our business operations and financial conditions.

#### **Personal injuries, property damages or fatal accidents may occur at work sites**

In the course of operations, we require our employees to comply with and implement all the safety measures and procedures as stipulated in its in-house rules. Nevertheless, there is no assurance that our safety measures or other related rules and regulations by our employees or the subcontractors are strictly followed. Any violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

#### **Any changes in environmental requirements may increase our Group’s compliance costs**

Due to the nature of our business, the operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control, water pollutions control, and waste disposal control. Such regulations may be revised by the Hong Kong Government from time to time. Any changes to such regulations and guidelines may increase cost and burden in complying with them.

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## **RISK FACTORS**

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### **Our Group operates in a competitive E&M engineering services industry**

The E&M engineering services industry in Hong Kong has a number of participants and is competitive. Occasionally, new participants could enter into the industry if they have the appropriate skills, local experience, necessary machinery and capital and are granted the requisite licences by the relevant regulatory bodies. We face competition from other E&M engineering firms in competing for E&M work contracts. Increased competition with these E&M engineering firms may lead to lower profit margins and loss of market share, and adversely impact on our profitability and operating results.

### **OTHER RELEVANT RISKS**

#### **There has been no prior public market for our Shares, thus an active or liquid trading market for the Shares may not develop and the trading price of our Shares may be volatile**

Our Shares have not been listed or quoted on any stock exchange or open market prior to the Global Offering. There is no assurance that there will be an active trading market for our Shares on the Stock Exchange upon the Listing. In addition, the market price of our Shares to be traded on the Stock Exchange may differ from the Offer Price and prospective investors should not treat the Offer Price as an indicator of the market price of our Shares to be traded on the Stock Exchange.

Upon the Listing, the trading volume and the market price of our Shares may be affected or influenced by a number of factors from time to time, including but not limited to, our revenue, profit and cash flow, our investment, changes in our management and general economic condition. There is no assurance that such factors will not occur and it is difficult to quantify their impact on the trading volume and the market price of our Shares.

#### **Prospective investors of our Shares may experience immediate dilution upon the Listing and further dilution if our Company issues additional Shares in the future**

The Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, prospective investors of our Shares may experience immediate dilution in the pro forma net tangible asset value per Share.

For the purpose of business expansion, our Directors may consider offering and issuing new Shares or equity-linked securities in the future. Prospective investors of our Shares may experience further dilution in the net tangible assets book value per Share if our Company offers or issues new Shares at a price lower than the then net tangible assets book value per Share.

#### **Issue of new Shares under the Share Option Scheme may decrease our Shareholders' value of investment**

We have conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V

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## RISK FACTORS

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in this prospectus. Following the grant of any option under the Share Option Scheme in the future and the issue of new Shares upon the exercise of any option which may be granted under the Share Option Scheme, there will be a dilution or reduction in shareholding of our then Shareholders and it may also result in a dilution or reduction in the earnings per Share or net asset value per Share.

**Sales or perceived sales of substantial amounts of our Shares in the public market by our Controlling Shareholders after the Listing could adversely affect the prevailing market price of the Shares**

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods, details of which are set out in the sections headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Controlling Shareholders to the Stock Exchange”, “Undertakings by our Controlling Shareholders to the Company” and “Undertakings by our Controlling Shareholders to the Joint Global Coordinators pursuant to the Hong Kong Underwriting Agreement” in this prospectus. There is no assurance that our Controlling Shareholders, whose interests may be different from those of our other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sales of substantial amounts of our Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our Shares.

**As the payment and the amount of any future dividend will be at the discretion of our Board, historical dividend payments should not be regarded as an indication of our future dividend policy**

Following completion of the Global Offering, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and the amount of any future dividend will be at the discretion of our Board and will depend on, among others, our earnings, financial condition, cash requirement and availability, and other factors as our Directors may deem relevant. As such factors and the payment of dividends are at the discretion of our Board which reserves the right to change its plan on the payment of dividends, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend policy.

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## FORWARD-LOOKING STATEMENTS

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

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

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

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



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## FORWARD-LOOKING STATEMENTS

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- laws, regulations and rules for the E&M engineering services industry and other industries in Hong Kong;
- factors that are described in the section headed “Risk factors” in this prospectus; and
- other factors beyond our control.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations and the Listing Rules, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

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

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

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

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

The Global Offering is made solely on the basis of the information contained and the representation made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein should not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

### **THE SELLING SHAREHOLDERS**

The Selling Shareholders will offer 20,000,000 Sale Shares for sale under the Global Offering. For details of the Sale Shares by the Selling Shareholders, please refer to the section headed "Structure and conditions of the Global Offering" in this prospectus.

### **UNDERWRITING**

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

The Listing is sponsored by Innovax Capital. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Joint Global Coordinators.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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If, for any reason, the Offer Price is not agreed among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed “Underwriting” in this prospectus.

### RESTRICTIONS ON SALE OF OFFER SHARES

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

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

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

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

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

### REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares sold pursuant to applications made in the Hong Kong Public Offering will be registered on our Company’s branch 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.

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

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named Shareholder therein in accordance with the Articles.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

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

### **STRUCTURE OF THE GLOBAL OFFERING**

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

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

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 3 January 2017. Shares will be traded in board lots of 2,000 Shares each.

The stock code of our Shares is 1637.

### **CURRENCY TRANSLATIONS**

Unless the context requires otherwise, translation of US\$ into HK\$ is made in this prospectus, for illustration purpose only, at the rates of US\$1.0 = HK\$7.75. No representation is made that any amount in US\$ or HK\$ could have been or could be converted at the above rate or at any other rate or at all.

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

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### **LANGUAGE**

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

### **ROUNDING**

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

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

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

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

### **OVER-ALLOTMENT AND STABILISATION**

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Yu Cheung Choy (俞長財)	Flat H, 6/F, Block 7, Laguna City, Kwun Tong, Kowloon, Hong Kong	Chinese
Mr. Lau Man Ching (劉文青)	Flat A, 9/F, Court C, Tower 2, 33 Lai Ping Road, Kau To Shan, Sha Tin, New Territories, Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Yu Ho Chi (俞浩智)	Flat H, 6/F, Block 7, Laguna City, Kwun Tong, Kowloon, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lam Yim Nam (林炎南)	Room E, 28/F, Marigold Mansion, Taikoo Shing, Hong Kong	Chinese
Mr. Lee Wing Kee (李永基)	Room 2, 19/F, Block D, Greenville Gardens, 17 Shiu Fai Terrace, Wanchai, Hong Kong	Chinese
Mr. To Yan Ming Edmond (杜恩鳴)	Flat A, 22/F., Tower 2, The Waterfront, Tsim Sha Tsui, Kowloon, Hong Kong	Chinese

Please refer to the section headed “Directors, senior management and employees” in this prospectus for further details of our Directors and senior management members.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Sole Sponsor

Innovax Capital Limited  
*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)*  
Room 2002, 20/F  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, Hong Kong

#### Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers

Pacific Foundation Securities Limited  
*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities (as defined in the SFO)*  
11/F, New World Tower II  
16-18 Queen's Road Central  
Hong Kong

Innovax Capital Limited  
*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)*  
Room 2002, 20/F  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, Hong Kong

#### Hong Kong Underwriters

Pacific Foundation Securities Limited  
*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities (as defined in the SFO)*  
11/F, New World Tower II  
16-18 Queen's Road Central  
Hong Kong

Innovax Capital Limited  
*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)*  
Room 2002, 20/F  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### CNI Securities Group Limited

*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities (as defined in the SFO)*

10/F, Sun's Group Centre  
200 Gloucester Road  
Wanchai, Hong Kong

### HF Securities and Futures Limited

*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities (as defined in the SFO)*

Room 1605-06,  
South Tower Concordia Plaza  
1 Science Museum Road  
Tsim Sha Tsui, Hong Kong

### Sinolink Securities (Hong Kong) Company Limited

*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined in the SFO)*

Units 2503, 2505-06  
25/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

### Sorrento Securities Limited

*A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) regulated activities (as defined in the SFO)*

11/F, The Wellington  
198 Wellington Street  
Central, Hong Kong

### Legal advisers to our Company

*as to Hong Kong law:*

Loeb & Loeb LLP  
21/F., CCB Tower  
3 Connaught Road Central  
Hong Kong

*as to Cayman Islands law:*

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



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Legal advisers to the Sole Sponsor and the Underwriters</b>	<i>as to Hong Kong law:</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central, Hong Kong
<b>Auditors and reporting accountants</b>	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place 88 Queensway Hong Kong
<b>Property valuer</b>	Roma Appraisals Limited Unit 3806, 38/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
<b>Compliance adviser</b>	Innovax Capital Limited <i>A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined in the SFO)</i> Room 2002, 20/F Chinachem Century Tower 178 Gloucester Road Wanchai, Hong Kong
<b>Receiving bank</b>	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Units 605-606, 6/F., Tower I Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
<b>Company's website address</b>	www.shunhingeng.com <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Mr. Tse Kam Fai (謝錦輝) (FCIS) Flat E, 8/F, Block 8 Villa Concerto Symphony Bay 530 Sai Sha Road Sai Kung, New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Yu Cheung Choy (俞長財) Flat H, 6/F, Block 7 Laguna City Kwun Tong, Kowloon Hong Kong  Mr. Lau Man Ching (劉文青) Flat A, 9/F Court C, Tower 2 33 Lai Ping Road Kau To Shan Sha Tin, New Territories Hong Kong
<b>Audit committee</b>	Mr. To Yan Ming Edmond (杜恩鳴) (Chairman) Mr. Lam Yim Nam (林炎南) Mr. Lee Wing Kee (李永基) Mr. Yu Ho Chi (俞浩智)
<b>Remuneration committee</b>	Mr. Lam Yim Nam (林炎南) (Chairman) Mr. Lee Wing Kee (李永基) Mr. To Yan Ming Edmond (杜恩鳴)

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## CORPORATE INFORMATION

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<b>Nomination committee</b>	Mr. Lee Wing Kee (李永基) ( <i>Chairman</i> ) Mr. Lam Yim Nam (林炎南) Mr. To Yan Ming Edmond (杜恩鳴)
<b>Cayman Share Registrar</b>	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banks</b>	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong  Hang Seng Bank 83 Des Voeux Road Central Hong Kong  Shanghai Commercial Bank 8/F, SCB Tower 12 Queen's Road Central Central Hong Kong

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## INDUSTRY OVERVIEW

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*The information presented in this section, unless otherwise indicated, is derived from the Ipsos Report. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. However, the information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates, advisers, agents, directors, officers, employees or representatives or any other party involved in the Global Offering, and no representation is given as to its accuracy. All the data and forecast in this section are derived from the Ipsos Report.*

*The information extracted from the Ipsos Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report.*

### SOURCES OF INFORMATION

We have commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on, the industry development trends, market demands and competitive landscape of construction industry, especially for the E&M engineering services industry in Hong Kong for the period of 2011 to 2020. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos, including all its subsidiaries, divisions and units (collectively refer to “**Ipsos Group**”), which is not connected to our Group in any way. Ipsos charged us a total fee of HK\$408,000 for the preparation and the use of the Ipsos Report, which our Directors consider to reflect market rates.

Ipsos has conducted research and data gathering based on (i) desk research; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as the Hong Kong Government officials, developers, main contractors, subcontractors, architects, quantity surveyors, and associations in E&M engineering services industry in Hong Kong. In addition, intelligence gathered was analysed, assessed and validated using Ipsos’ in-house analysis models and techniques. Nevertheless, we cannot assume you regarding the accuracy or completions of the factors, forecast and statistics in this prospectus obtained from sources such as the Government publications, market data providers and Ipsos Report.

Ipsos, being one of the worldwide offices of the Ipsos Group, which employs approximately 16,000 personnel worldwide across 87 countries, is specialised in conducting researches across various industrial sectors including construction industry, tourism, financial services, cosmetics, regional luxury and high net worth research.

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## INDUSTRY OVERVIEW

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### ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are adopted in the preparation of the Ipsos Report:

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction and hence the E&M engineering services industry in Hong Kong over the forecast period.
- The supply of E&M engineering services works in Hong Kong is expected to grow under the Hong Kong Government's initiative to increase residential and commercial building supply and etc.

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

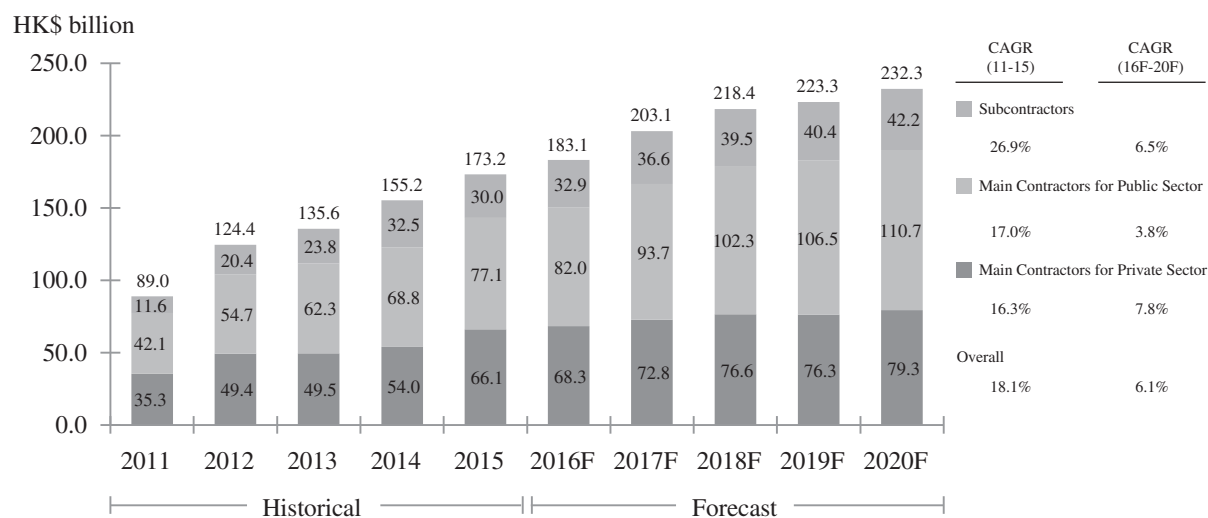
- Gross output value of overall construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2011 to 2015
- Estimated gross output value of the E&M engineering services industry in Hong Kong from 2011 to 2015
- Number of workers engaging in the E&M engineering services industry in Hong Kong from 2011 to 2015
- Average wage trend of workers engaging in the E&M engineering services industry in Hong Kong from 2011 to 2015
- Historical price trend of key equipment and materials used in the E&M engineering services industry in Hong Kong from 2011 to 2015

### MARKET OVERVIEW OF THE OVERALL CONSTRUCTION INDUSTRY IN HONG KONG

The construction industry in Hong Kong accounted for approximately 3.3% to 4.7% of the total GDP from 2010 to 2015 and it has been growing due to the increasing number of building construction and infrastructure projects in both the public and private sectors. Whereas the public sector witnessed a strong growth in construction project value due to the Hong Kong Government's initiative to increase the public housing supply as well as the commencing and upcoming infrastructure projects, the growth in private sector was led by the Hong Kong Government's continuous effort in increasing the land supply used for private residential housing units and commercial buildings through measures such as converting suitable Government, Institution or Community ("GIC") sites in core business districts into commercial use.

## INDUSTRY OVERVIEW

### Gross Output Value of Overall Construction Works Performed by Main Contractors and Subcontractors at Construction Sites in Hong Kong from 2011 to 2020



*Notes:*

- (1) Data refers to 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 be equal to the summation of output values by main contractor for both public and private sectors and by subcontractors due to rounding-off.

*Sources:* Ipsos Report

According to the Ipsos Report, the gross output value of overall construction works performed by main contractors and subcontractors in Hong Kong grew from approximately HK\$89.0 billion in 2011 to approximately HK\$173.2 billion in 2015, at a CAGR of approximately 18.1%. The gross output value of construction works performed by main contractors in the public sector grew from approximately HK\$42.1 billion in 2011 to approximately HK\$77.1 billion in 2015, at a CAGR of approximately 16.3%. In addition, the gross output value of construction works performed by main contractors in the private sector increased from approximately HK\$35.3 billion in 2011 to approximately HK\$66.1 billion in 2015, at a CAGR of approximately 17.0%.

As mentioned above, the Hong Kong Government has made continuous effort in increasing the supply of housing and is expected to be a key factor coming forward in driving up the growth in the construction industry. According to Ipsos Report, from 2011 to 2015, the number of private residential housing units completed and the number of public rental housing units provided by the Housing Authority in Hong Kong grew at CAGR of 4.5% and 8.5%, respectively. Owing to Hong Kong's growing population, the Hong Kong Government had launched various initiatives to boost housing

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## INDUSTRY OVERVIEW

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supply in both public and private sectors in recent years. According to the Hong Kong Government's 2016 Policy Address, the Housing Authority and the Hong Kong Housing Society will build about 97,100 housing units over the next 5 years, of which about 76,700 will be public rental house units and about 20,400 will be subsidised sale flats. Regarding the private housing supply, the total number of private residential housing units completed in Hong Kong was 11,280 in 2015 and projected to be around 20,140 in 2016. In addition, a total of 16 residential sites were further sold or will be put up for sale under the Land Sale Programme in 2015-2016 and, the projected supply from the first-hand residential property market for the coming three to four years is approximately 87,000 units, a unit record high since the first release of quarterly supply statistics in September 2014.

The gross output value of the construction works performed by subcontractors grew at a CAGR of approximately 26.9% from approximately HK\$11.6 billion in 2011 to approximately HK\$30.0 billion in 2015. This can be attributed to the growing size and complexity of construction projects. Large and complex contract packages are awarded to multi-disciplinary subcontractors. With such kind of multi-level outsourcing and subcontracting trend, along with the positive outlook of Hong Kong's construction industry, the weight of subcontractor in the overall construction work is expected to grow continuously.

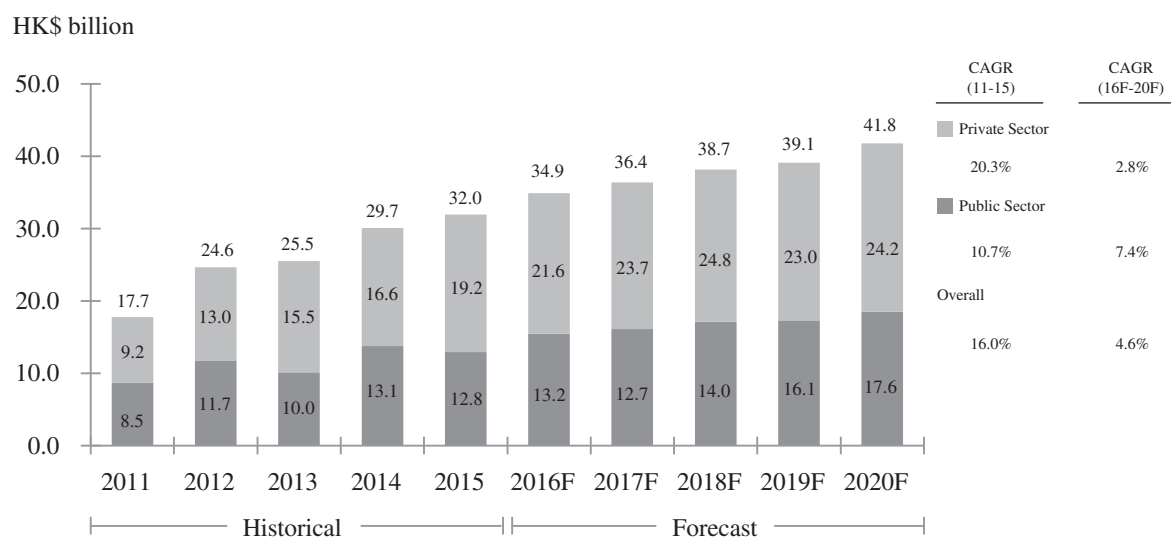
### MARKET OVERVIEW OF THE E&M ENGINEERING SERVICES INDUSTRY IN HONG KONG

E&M engineering services cover several types of works, including the supply, installation and maintenance for MVAC system, low voltage electrical system, fire services system, plumbing and draining system. The major segments of building construction works in Hong Kong are residential and non-residential buildings<sup>(Note)</sup>. Main contractors are the key customers of the E&M engineering services industry in Hong Kong. Normally, main contractors tender building projects from the government or property developers and engage E&M engineering subcontractors who possess the specialist knowledge and expertise to carry out installation works such as air-conditioning and low voltage electrical systems. The demand for building construction works will therefore support the demand for E&M engineering services.

*Note:* Non-residential buildings include commercial and industrial buildings, and public facilities.

## INDUSTRY OVERVIEW

### Gross Output Value of the E&M Engineering Services Industry in Hong Kong from 2011 to 2020



*Notes:*

- (1) E&M engineering services industry data includes data for typical E&M engineering services engineering industry works such as electrical and mechanical fitting works, and repair and maintenance.
- (2) Data is comprised of the upper bound values projected by the Hong Kong Construction Industry Council as the outlook on the construction industry's output value is positive, and Ipsos forecast.
- (3) Total output value of E&M engineering services may not be equal to the summation of output values for public and private sectors due to rounding-off.

*Sources:* Construction Industry Council, HKSAR; Ipsos Report

According to the Ipsos Report, total gross output value of the E&M engineering services industry in Hong Kong increased from approximately HK\$17.7 billion to approximately HK\$32.0 billion from 2011 to 2015, at a CAGR of approximately 16.0%. The remarkable growth during that period was in large due to the robust property market as the gross output value in E&M engineering services for the private sector increased from HK\$8.5 billion to HK\$12.8 billion, representing a CAGR of approximately 20.3%. However, a slowdown has been felt in Hong Kong's property market in recent years as the sluggish economy in China affected home purchasing power and consumer confidence. On top of that, the Hong Kong Government adopted several cooling measures since 2013 to stabilise the upsurge property prices such as the Buyer Stamp Duty, Special Stamp Duty, and Double Stamp Duty.

Going forward, the economic growth in Hong Kong will be slowed down by the weaker demand in retail, tourism and trade which will put pressure on the overall growth in the building construction industry. Also infrastructure projects are near their peak stages or completion in around 2016. In view of this, the gross output value of the E&M engineering services industry in Hong Kong is expected to experience a slower growth from approximately HK\$35.0 billion in 2016 to approximately HK\$41.9 billion in 2020, at a CAGR of approximately 4.6%. In spite of that, residential constructions for both private and public sectors will benefit from further housing policies and land supply as the Hong Kong



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## INDUSTRY OVERVIEW

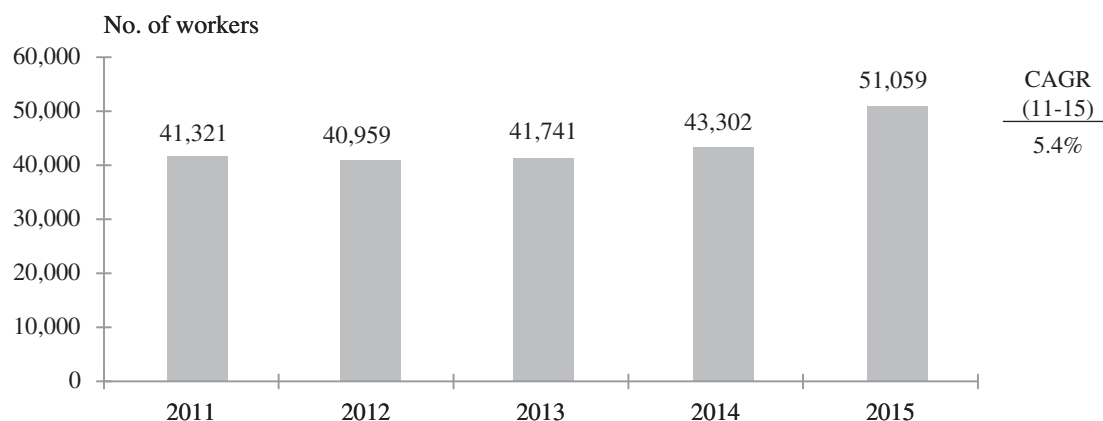
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Government stabilises property prices and provide further affordable housings. In addition, there are currently about 20,095 privately-owned buildings in Hong Kong which are over 30 years old and will further reach over 27,000 within the next 10 years, thus the building maintenance and renovation works are envisaged and will escalate the greater demand for E&M engineering services.

The Hong Kong Government has also announced in the 2016 Policy Address to allocate a budget of HK\$200 billion to a ten-year hospital development plan for renovating and constructing new hospital facilities so as to accommodate the need from the growing aging population. Under this new budget, around 5,000 additional hospital beds and over 90 new operating theatres are to be provided. Several hospitals had already seek funding approval in the 2015-2016 LegCo session to redesign, construct and redevelop hospital facilities.

Additionally, according to 2016-17 Budget, the Hong Kong Government has also taken initiative to convert the government land use into commercial use, by for example, reprovisioning government facilities in the two action areas in Kwun Tong and Kowloon Bay, which is expected to provide 560,000 m<sup>2</sup> of commercial and office floor area. Thus the continuous demand for residential as well as commercial buildings, coupled with the Hong Kong Government's initiatives to increase the housing supply and hospital facilities in Hong Kong will support the building construction industry as well as the E&M engineering services industry from 2016 to 2020.

### The number of workers engaging in the E&M engineering services industry in Hong Kong from 2011 to 2015



*Notes:* Data includes cable jointer; electrical fitter and wireman; fire service electrical fitter, mechanic, mechanic fitter and portable equipment fitter; mechanical fitter; air-conditioning mechanic (master, air system, electrical control, thermal insulation, unitary system, water system); gas installer; general welder and plumber.

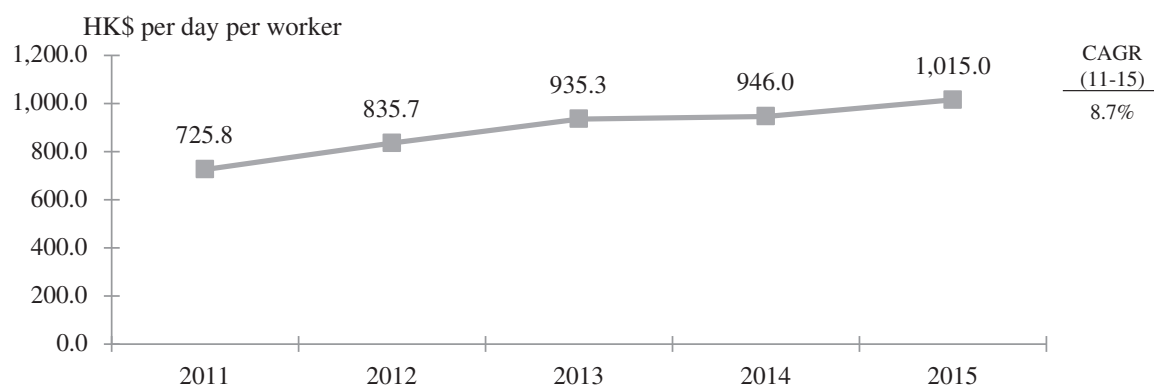
*Sources:* Construction Industry Council, HKSAR; Ipsos research and analysis

Workers engaged in the E&M engineering services in Hong Kong remained stable from 2011 to 2015, increased from approximately 41,321 to approximately 51,059, at a CAGR of about 5.4%. Such growth can be attributed to the demand for building construction works as well as construction workers in Hong Kong. As the Hong Kong Government has been striving to increase affordable housing supply, the demand for building construction works has drastically increased, which

## INDUSTRY OVERVIEW

subsequently also increases the demand for more E&M engineering services workers. In addition, labour shortage and aging problem has been a common issue in Hong Kong's construction industry and the Hong Kong Government had taken initiatives to increase the construction workers supply. Thus, the Hong Kong Government has spent about HK\$320 million during 2010 and 2015 to organise training courses and implement subsidised schemes to encourage young people to join the industry, which also helped increase the number of E&M engineering services workers.

### Average wages of workers engaging in the E&M engineering services industry in Hong Kong from 2011 to 2015

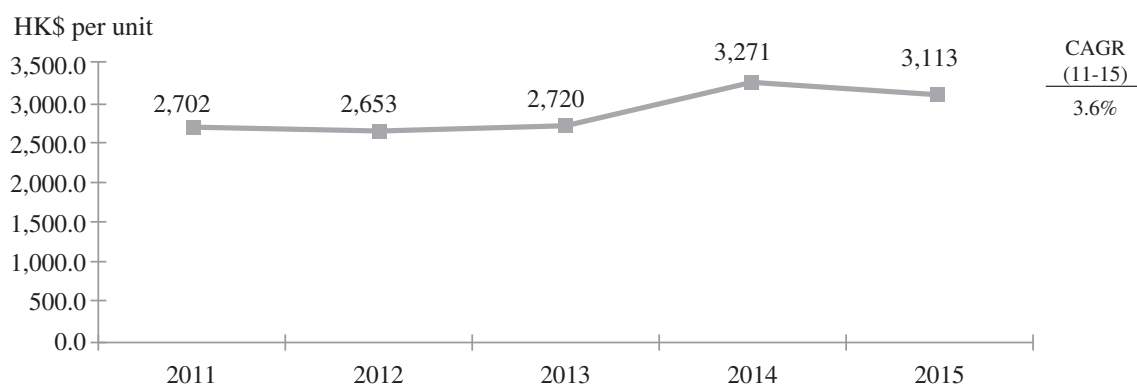


*Notes:* Data includes electrical fitter, mechanical fitter, air-conditioning mechanic, fire services mechanic, building services maintenance mechanic, cable jointer, general welder, plumber and general worker.

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

The average daily wage of workers in the E&M engineering services industry grew from approximately HK\$725.8 in 2011 to approximately HK\$1,015.0 in 2015, at a CAGR of about 8.7%. The upward trend of average daily wages was attributed to the shortage of general workers in the E&M engineering services industry and the robust demand for building construction projects as well as infrastructure projects.

### Price trend of air-conditioning machines from 2011 to 2015



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## INDUSTRY OVERVIEW

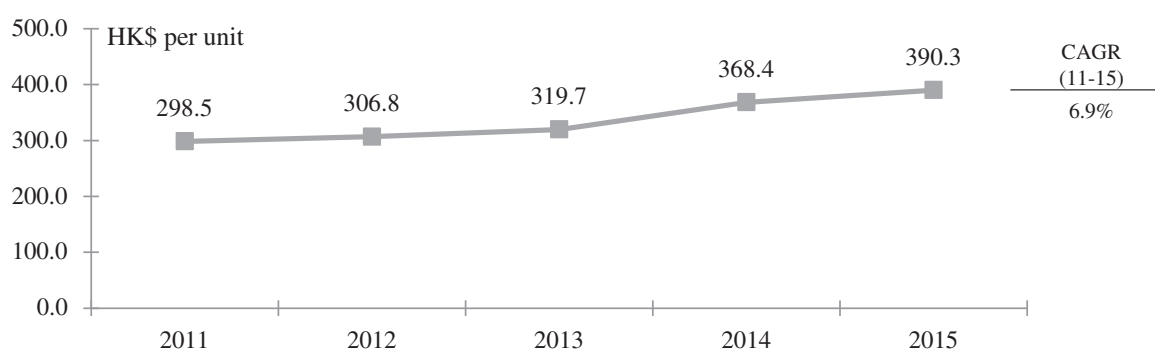
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*Notes:* Price trend of Air Conditioning machines refer to average import price of (i) air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, incorporating a refrigerating unit and a valve for 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:* HKTDC; Ipsos research and analysis

Key equipment and materials used in Hong Kong's E&M engineering services include air-conditioning machines and electrical apparatus. More specifically, the rise in price of air-conditioning machines in 2014 was resulted from being an abnormally warm year, with 7 months with mean temperatures above average. Although there were also months with abnormal heat in 2015, there were fewer compared to 2014, resulting in the slight drag from 2014 to 2015.

### Price trend of electrical apparatus from 2011 to 2015



*Notes:* Electrical apparatus are tools used for switching, protecting, connecting to or in electrical circuits.

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

The price of electrical apparatus increased from around HK\$298.5 per unit in 2011 to around HK\$390.3 per unit in 2015, at a CAGR of about 6.9%.

## COMPETITIVE LANDSCAPE OF THE E&M ENGINEERING SERVICES INDUSTRY IN HONG KONG

Competition in the E&M engineering services industry is highly fragmented, with over thousands of registered contractors in the overall industry in Hong Kong. In the E&M engineering services industry, there are over 6,000 registered contractors in electrical and low voltage installation works, around 200 registered contractors in air-conditioning installation works, and around 300 contractors in fire services installation works. The top five E&M engineering services companies contributed to around 23.1% of the total revenue in Hong Kong's E&M engineering services industry.

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## INDUSTRY OVERVIEW

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### Top five E&M engineering services contractors engaged in the E&M engineering services industry in Hong Kong in 2015

Rank	Name of Company	Headquarter location	Revenue in 2015(HK\$ million)	Share of Total Industry Revenue (%)	Business coverage
1	Company A	Hong Kong	2,780.6	8.7	Air-conditioning and mechanical ventilation system; fire-service system; plumbing and drainage system; electrical and ELV system
2	Company B	Hong Kong	1,639.6	5.1	Electrical and mechanical engineering services, including electrical installation, air-conditioning, fire prevention and fighting, plumbing and drainage, building automation systems, and engineering maintenance services
3	Company C	Hong Kong	1,325.0	4.1	E&M engineering services engineering works, including electrical works, air-conditioning and fire services, water services and waste water treatment, telecommunication facilities, interior fitting out, project management, building automation and maintenance services etc.
4	Company D	Hong Kong	1,123.4	3.5	MVAC System, Electrical System, Intelligent Building Management System, Fire Protection System, Plumbing and Drainage System, Water Treatment System, Environmental Protection, Mechanical Equipment
5	Company E	Hong Kong	529.6	1.7	Fire Services, Plumbing and Drainage, Electrical, Air-condition installation
N/A	Our Group	Hong Kong	183.7	0.6	E&M engineering services including supply, installation and maintenance of MVAC system, low voltage electrical systems and other E&M systems
<b>Others</b>			24,606.0	76.9	
<b>Total</b>			32,004.2	100.0	

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## INDUSTRY OVERVIEW

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### **Factors of competition**

#### *Records of quality engineering work*

The E&M engineering services industry focuses a lot on the quality of work, the timeliness of the delivery and past performances. Therefore, contractors with strong track records could prove that they have a higher ability to complete quality work in a timely manner and hence, they are more likely to be awarded with projects. Usually, the key players are the ones with the strongest track record in the industry.

#### *Experience and capabilities*

Although there are many contractors in the E&M engineering services industry, there are only around 20 firms that hold all the licenses from the authorities in various sectors. Contractors with more licenses are more experienced, and they are usually more capable to carry out different scales of work. Besides, E&M engineering services contractors who provide one-stop services are relatively more “attractive” to the main contractors. The reason behind is because one-stop services encompass the entire project scope, which are able to reduce management effort of the main contractors and minimise the coordination costs.

Moreover, the listing status of a contractor — or its holding group — can improve competitiveness. The listing status may enhance reputation and credibility, increasing the contractor likelihood to be awarded with contracts in the private sector. Further, the financial transparency associated with the listing process may also serve as reassurance among suppliers, contractors and customers.

#### *Cost control through building strategic relationships*

Strategic relationships increase the competitiveness of a contractor, as well as increasing the flexibility to set prices for their services to main contractors. A long-term network stabilises the source of equipment and materials, and reduces the probability of project delays. Also, this helps to prevent contractors from paying claims or damages resulting from delays.

### **Market drivers**

The Hong Kong Government has introduced a few initiatives to stabilise the property market prices and to drive the growth of the E&M engineering services industry in Hong Kong; for example, by increasing the supply of both public and private residential units through public rental housing, home ownership scheme and the Land Sale Program.

There will be 20,000 old buildings in Hong Kong by 2023 and various maintenance work will need to be carried out on these buildings in order to ensure their full functionality. Accordingly, a constant stream of projects for E&M engineering services contractors will arise and hence act as one of the growth drivers for the industry.

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## INDUSTRY OVERVIEW

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Sophisticated buildings with innovative designs are more popular nowadays and this will boost the growth in E&M engineering services industry. This is because engineers will focus more on the built-in design of the building and increase the number of energy efficient buildings. There has been a significant progress made in the design of energy efficient building systems, which provides more opportunities for the industry. It is observed that there will be an increasing number of these kinds of innovative buildings and the old ones will be renovated or replaced by them.

### **Entry barriers**

#### *Credible track record of high quality projects*

Projects for E&M engineering services contractors are offered according to the capabilities and the track records of contractor. New entrants who do not have a credible track record will find it hard to prove their capabilities and to fight for the tender<sup>(Note)</sup>. In an industry where timeliness of delivery and quality among other aspects, are paramount, the probability for main contractors to work with less established firms in the industry is a lot lower.

#### *Experienced and qualified technical personnel*

Contractors should have a sufficient amount of technical staff in order to register with the authorities and to carry out various project works. It is essential to have a team of experienced technical personnel; this is important to the assessment of the credibility of a contractor. Therefore, it is crucial for new entrants to hire a group of highly experienced personnel to enhance their credibility, which will be increasingly difficult in an industry where manpower is running short.

#### *Required registrations under different authorities for various types of work*

Contractors have to meet certain types of requirements in order to be eligible for the registration of different types of E&M engineering services works. For example, under the Works Branch of the Development Bureau, to be eligible to register for Electrical Installation (Group III) under the Approved List of Suppliers and Specialist Contractors, it requires contractors to meet the prerequisites in job experience, as the applicant must submit two contracts, which were completed within the past three years for site inspection. The applicant must also employ a minimum of one qualified engineer, two technicians, four site supervisors, two draftsmen etc. These requirements have an underlying meaning that contractors will have to work their way through different group levels in order to tender for contracts with different scales of E&M engineering works.

*Note:* There is no industry standard in relation to the success rate of tendering in the Hong Kong construction industry.

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## INDUSTRY OVERVIEW

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### **Future opportunities**

#### *The increasing environmental awareness*

The increments of energy efficiency buildings enable the E&M engineering services contractors to differentiate themselves in the industry through developing innovative design and technology. Contractors, who are capable to design and implement more energy efficient building systems, will gain a greater market share in the industry.

#### *The increasing importance of fire, and plumbing and drainage engineering services*

As a discipline of the E&M engineering services industry, the fire engineering service team has actively participated in various infrastructure plans. In respect of the improvement of the fire safety of buildings, the practitioners in the industry, such as engineers, technicians, and skilled workers have been responsible for ensuring the safety of the buildings in Hong Kong and must make continuous improvement accordingly. Likewise, improvement on plumbing and drainage facilities has become more essential for ensuring safety in buildings after several lead contamination incidents in 2015 raised greater public awareness on the importance of sound plumbing works.

According to The Hong Kong Institution of Engineers, the most common safety hazards found in aging buildings include substandard fire service installations, and problematic water supply and drainage systems. At present, there are 20,095 privately-owned buildings in Hong Kong which are aged 30 years or above, representing approximately 50% of all of Hong Kong's privately-owned buildings. These buildings are subject to the Mandatory Building Inspection Scheme in which an inspection on fire safety elements, and plumbing and drainage system must be carried out by a Registered Inspector. When such inspections examines any defectives or inadequacy, for instance any drains and pipes are causing health and environment hazards or fire safety systems are not in compliance with standards, the relevant regulator may issue repair orders or abatement notices to require the building to carry out necessary repairs or replacement. For instance, there has been an increasing number of warnings and fire hazard abatement notices served as the number of fire hazard abatement notices issued increased from 4,032 to 6,068 from 2011 to 2015, representing a CAGR of 10.8%. Any rectification works on any fire, and plumbing and drainage systems that are not carried out within the specified time are subject to a fine or further prosecution. Thus, the demand for refurbishment and maintenance of fire, and plumbing and drainage systems will likely be spurred by the increasing number of old age buildings.

The Hong Kong Government had also increased its support for building rehabilitation projects through different subsidies and assistance schemes such as Mandatory Building Inspection Subsidy Scheme and Integrated Building Maintenance Assistance Scheme. In 2015, the value of drainage projects under planning, design and construction conducted by the Drainage Service Department had reached approximately HK\$13 billion. CIC expects a substantial growth in the demand for plumbers subsequent to the launch of the ten major infrastructure projects and development of the public drainage services works. Responding to the greater demand, CIC implanted a training scheme specific to plumbers in order to bring new qualified workers to the industry. Thus, together with the urban renewal goals and increasing amount of new high-rise buildings in Hong Kong, the demand for fire, and plumbing and drainage installation services are likely to increase in the coming years. In fact,

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## INDUSTRY OVERVIEW

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there are more companies registering relevant licences in order to capture the aforementioned market opportunities. For instance, there has been an increasing number of companies holding Fire Service Installation Contractor in Classes 1&2 registration of which the number of licensed companies increase from 235 to 271 from 2011 to 2015.

### *Constant flow of projects in the next decade*

The Hong Kong Government is committed to increase land supply for public housing construction and the land sale program for residential units. These initiatives offer more project opportunities for the E&M engineering services industry and provide an observable steady growth for the industry for the next decade. Moreover, the fact that there are an increasing number of old buildings in need of maintenance and the revitalisation projects of industrial buildings will also provide opportunities for contractors to gain market share in maintenance as well as in building construction projects.

### **Threats**

#### *Quoted project prices and delivery timeframes are based on estimations*

Contractors determine the fees by estimating the work time and costs. However, there is no assurance that the actual work time and costs will be within the estimations during the implementation stage. Unexpected external factors may arise, such as shortage of labour, cost escalation of materials and labour, etc. As a result, if the contractors fail to complete deliverables according to specifications and quality standards, disputes and contract termination may arise while the anticipated returns may be lower than expected and time for completion may be longer than expected.

#### *Reliance on suppliers and contractors to deliver*

E&M engineering services contractors may not directly carry out installation works as they rely largely on suppliers to source the equipment and materials, and depend on the subcontractors to carry out the installation aspects of the projects. Besides, the supervision of the subcontractors is often below standard. Setbacks in the subcontracting phase may require the contractor to delay the deliverables or to source the service at a higher price elsewhere.

#### *Success of contractor depends on the ability to attract and retain professional technical staff*

The human capital is essential for problem-solving as the customers' requirements and specifications are fulfilled by providing them with the according designs. Therefore, our Group should spend a certain amount of resources to incentivise and retain the existing staff, as well as keep recruiting more in order to ensure back up in the office to increase its competitiveness.

## RELIABILITY OF INFORMATION IN THE IPSOS REPORT

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



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## REGULATORY OVERVIEW

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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. CONTRACTORS REGISTRATION REGIMES

#### A1. Contractors Registration System for Building Works

Under section 2 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the “**Buildings Ordinance**”), building works include any kind of building construction, site formation works, ground investigation in scheduled areas, foundation works, repairs, demolition, alteration, addition and every kind of building operation, as well as drainage works.

A contractor carrying out building works in Hong Kong must register with the Building Authority as a general building contractor, a specialist contractor, or a minor works contractor.

We are specialist contractor and minor works contractor registered with the Building Authority.

##### *A1(1) Registered specialist contractor*

Currently, there are five different categories of building works specified by the Building Authority as specialist works, including:

- demolition works;
- foundation works;
- ground investigation field works;
- site formation works; and
- ventilation works.

As at the Latest Practicable Date, Shun Hing HK was registered as a specialist contractor in the ventilation works category. Pursuant to the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong), the scope of work in this category covers every ventilating system that embodies the use of ducting or trunking, which passes through any wall, floor or ceiling of the building in which the ventilating system is installed, from one compartment of such building to another.

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a specialist contractor must satisfy the Building Authority on:

- (i) if it is a corporation, the adequacy of its management structure;
- (ii) the appropriate experience and qualifications of his personnel;

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## REGULATORY OVERVIEW

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- (iii) his ability to have access to plant and resources;
- (iv) the ability of the person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

An applicant for registration as a specialist contractor must satisfy the Building Authority that he has the necessary experience and, where appropriate, professional and academic qualifications, to undertake works in the specialist category.

In considering each application, the Building Authority is to have regard to the qualifications, competence and experience of the following personnel of the applicant:

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance (the “**Authorised Signatory**”);
- (ii) if the applicant is a corporation, a minimum of one director from the board of directors of the applicant who is authorised by the board (the “**Technical Director**”) to:
  - (a) have access to plant and resources;
  - (b) provide technical and financial support for the execution of building works and street works;
  - (c) make decisions for our Company and supervise the Authorised Signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
  - (d) for a corporation which appoints a director who does not possess the required qualification or experience as the Technical Director to manage the carrying out of building works and street works authorised by the board of directors to assist the Technical Director.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works. For registration as a registered specialist contractor, the applicant should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties.

As at the Latest Practicable Date, our Authorised Signatories for registered specialist contractor (ventilation works) are Mr. Lau and Mr. Lee Chun Mo and our Technical Director is Mr. Lau.

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## REGULATORY OVERVIEW

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### *Registers*

The Building Authority maintains a register of specialist contractors who are qualified to carry out specialised works specified in the category in the sub-register in which they are entered.

### *Scope of work that can be undertaken*

Registered specialist contractors may only carry out specialised works in their corresponding categories as specified in the sub-registers in which they have been entered.

### *A1(2) Registered minor works contractor*

Under the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“**Minor Works Regulation**”), a subsidiary legislation under the Buildings Ordinance, certain building works are specified as “minor works”, which could be carried out without the Building Authority’s prior approval of building plans and consent to commence works. Minor works are categorised into three classes (Classes I, II and III) according to their nature, scale, complexity and risk to safety they pose:

- **Class I (a total of 44 items)** comprises more complicated minor works and requires higher technical expertise and more stringent supervision, including the appointment of a prescribed building professional (the “**Building Professional**”), such as an authorised person and where necessary, a registered structural engineer and/or a registered geotechnical engineer; and
- **Class II (a total of 40 items)** comprise works that are less complex which can be carried out by registered contractors without the involvement of a Building Professional; and
- **Class III (a total of 42 items)** comprise works of small scale and are common in household which can be carried out by registered contractors without the involvement of a Building Professional.

The works under each class of minor works are further classified into seven types:

- (i) Type A (Alternation and Addition works);
- (ii) Type B (Repair Works);
- (iii) Type C (Works relating to Signboards);
- (iv) Type D (Drainage Works);

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## REGULATORY OVERVIEW

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- (v) Type E (Works relating to Structures for Amenities);
- (vi) Type F (Finishes Works); and
- (vii) Type G (Demolition Works).

As at the Latest Practicable Date, Shun Hing HK, who is member of our Group, was registered minor works contractor for Type A (Classes II and III), and Type E (Classes I, II and III).

Under section 12(5) of the Minor Works Regulation, the Building Authority must not allow an application for registration as an registered minor works contractor unless the Authority is satisfied that:

- (i) in respect of each type of minor works under each class to which the application relates, at least one individual nominated as an authorised signatory for the type of minor works (a) has the qualifications and experience specified by the Building Authority; and (b) has the ability to understand that type of minor works through relevant experience and a general knowledge of the basic statutory requirements;
- (ii) the applicant has access to plants and resources;
- (iii) if the applicant is a corporation, (a) its management structure is adequate; and (b) at least one of its directors has the qualifications and experience specified by the Building Authority; and
- (iv) the applicant is suitable for registration in the register.

Under section 12(6) of the Minor Works Regulation, in deciding whether the applicant is suitable for registration in the register, the Building Authority must take into account (i) whether the applicant and the individual nominated as authorised signatory have any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and (ii) whether any disciplinary order has been made against the applicant or the individual.

In considering each application for registration, the Building Authority is to have regard to the qualification, experience and suitability of the following key personnel of the applicant:

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purpose of the Buildings Ordinance as the authorised signatory (the “**AS**”); and
- (ii) for a corporation, a minimum of one director from the board of directors of the applicant as the technical director (the “**TD**”), who is authorised by the board to:
  - (a) have access to plants and resources;
  - (b) provide technical and financial support for the execution of minor works; and

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## REGULATORY OVERVIEW

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(c) make decisions for our Company and supervise the AS and other personnel.

For a corporate applicant, a suitable person appointed by the board of directors is eligible to act as the AS and a director of the board of directors is eligible to act as the TD.

As at the Latest Practicable Date, Mr. Lau is our AS for Type E (Classes II and III); Mr. Lee Yui, Mr. Wong Wing Wai, Mr. Lee Foo Kwan and Mr. Lo Siu Kee are our ASs for Types A and E (Classes II and III); Mr. Lee Chun Mo is our AS for Type E (Classes I, II and III) and Mr. Lau is our TD.

Both Mr. Lau and Mr. Lee Chun Mo have been working for our Group for a long period of time, they joined our Group in October 1995 and March 2002 respectively, and as at the Latest Practicable Date, our Directors has not received any notice/letter of resignation from either Mr. Lau or Mr. Lee Chun Mo. Nevertheless, to minimise the possible disruption to our business operations in case either Mr. Lau or Mr. Lee Chun Mo departs from our Group, we plan to increase the number of our TDs and AS. Mr. Yu will apply to be registered as additional TD and Mr. Lau and other members of our senior management will apply to be registered as our additional ASs for Type E (Class I) and the application process is expected to be completed in approximately six months. In addition, our executive Directors and members of our senior management are required to give 6-month prior written notice in case of resignation and, therefore, we believe that we would have sufficient time to employ competent persons with appropriate qualification and experience to replace our current employees as TD or AS in case of their departure.

### *Registers*

The Building Authority maintains a register of minor works contractors who are qualified to carry out minor works belonging to the class, type and item specified in the register in which they are registered.

### *Scope of work that can be undertaken*

Minor works contractors shall only carry out such minor works belonging to the class, type and item specified in the register in which they are registered.

### *Validity period and renewal of registration as registered specialist contractors and registered minor works contractors*

Unless registration is removed by a disciplinary order, registration is valid for a period of three years from the date on which a person's name is included in the register.

Registration can be renewed upon its expiry by making prior application to the Building Authority in accordance with section 8C of the Buildings Ordinance and section 14 of the Minor Works Regulation for registered specialist contractors and registered minor works contractors respectively.

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## REGULATORY OVERVIEW

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Application for renewal of registration should be made by the registered contractor to the Building Authority not earlier than four months and not later than 28 days prior to the date of expiry of the registration. Provided the application is made within the time limit and the renewal fee is paid, the existing registration will remain in force until the application for renewal is finalised by the Building Authority. Once renewed, a registration is valid for a period of three years from the expiry date of the previous registration.

### *Regulatory actions*

Under section 13 of the Buildings Ordinance, a registered contractor (including a registered specialist contractor or a registered minor works contractor), or the director, officer or person appointed by the registered contractor to act on its behalf for the purposes of the Buildings Ordinance (collectively, the “**persons subject to inquiry**”) may be subject to inquiry by the disciplinary board appointed by the Building Authority under section 6 of the Buildings Ordinance where appropriate. The disciplinary board may, among others, order that: (i) the name of the person subject to inquiry be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the person subject to inquiry be fined, in the case of building works (other than minor works), a sum not exceeding HK\$250,000 or in the case of minor works, a sum not exceeding HK\$150,000; (iii) the person subject to inquiry be reprimanded; and (iv) the person subject to inquiry be prohibited from certifying or carrying out certain works, either permanently or for such period as the disciplinary board thinks fit.

### **A2. Undertaking public works contracts**

A contractor who wishes to tender for and carry out public works in Hong Kong must apply to be admitted to either of the following approved lists maintained by the WBDB:

- the Specialist List, which comprises suppliers and specialist contractors who are approved for carrying out public works in one or more of the 50 categories of specialist works, some of which are further divided into different classes according to the types of works within that particular specialist works category and different groups according to the value of contracts for which a contractor registered in that group is normally eligible to tender; or
- the Contractor List for Public Works, which comprises contractors who are approved for carrying out public works in one or more of the five work categories, namely buildings, port works, roads and drainage, site formation and waterworks.

As at the Latest Practicable Date, Shun Hing HK was registered on the Specialist List.

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## REGULATORY OVERVIEW

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### *Requirements for admission and retention on the Specialist List*

For admission and retention on the Specialist List and for the award of public works contracts, a contractor is required to meet the financial, technical, management and personal criteria applicable to the appropriate category and group for admission and retention on the Specialist List. Set out below are the major requirements that are required to be met and maintained:

<u>Criteria</u>	<u>Major items</u>
Financial:	<ul style="list-style-type: none"><li>• should generally possess at least a positive capital value;</li><li>• a contractor in more than one category must maintain the minimum levels of employed and working capital applicable to his highest category, group and status including those classified for retention on the Specialist List;</li><li>• maintain certain minimum levels of employed capital and working capital applicable to the appropriate category and group (please refer to paragraphs B1(2), B2(2), C1.2 and C2.1 below for the minimum levels as are applicable to the various categories and groups of works in which we are registered);</li><li>• ability to rectify shortfalls in capital requirements by approved sources of funding;</li><li>• average loss rate of not more than 30% (if a contractor's business is at a loss); and</li><li>• outstanding workload, as expressed in the approximate value of an approximate time required to complete the contractor's outstanding contracts in both public and private sectors.</li></ul>
Technical and management:	<p>Job experience:</p> <ul style="list-style-type: none"><li>• adequate experience in the type and size of work of the category, with satisfactory quality of work compatible with government standard; and</li><li>• adequate experience in contract management of work of the category.</li></ul> <p>Personnel:</p> <ul style="list-style-type: none"><li>• qualification and minimum number of management and technical staff; and</li><li>• (where applicable) registered electrical workers registered under the Electricity Ordinance, licensed plumber registered under the Waterworks Ordinance, registered fire service installation contractor under the Fire Services Ordinance whom can be the qualified engineer, technical support staff or craftsman.</li></ul>

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## REGULATORY OVERVIEW

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Criteria	Major items
	<p>Registration with relevant authorities in Hong Kong:</p> <ul style="list-style-type: none"><li>• (where applicable) a registered contractor under the applicable Ordinance, such as the Buildings Ordinance, the Electricity Ordinance, the Fire Services Ordinance; and</li><li>• accredited with the relevant quality management system certification.</li></ul>

An approved contractor in relation to capital works and maintenance works is also required to employ subcontractors registered in the respective trade available under the SRS administered by the Construction Industry Council.

Generally, upon satisfaction of the above requirements, an approved contractor will be admitted initially on probation in the appropriate work category and group, during which it will be limited in the number and value of contracts for which it is eligible to tender.

Upon reaching the required financial, technical and management criteria, a probationary contractor may apply to the WBDB for a “confirmed” status and subsequently for elevation to a higher group in the works category in order to tender for contracts of higher or unlimited values.

### *Renewal of Registration*

While admissions to the WBDB approved lists are not subject to expiry and renewal requirements, approved contractors intending to be retained on the approved lists shall submit audited accounts to the WBDB annually for ensuring their compliance with the minimum financial criteria. Any approved contractor failing to meet the designated financial requirements will not be recommended for tender awards for contracts in this prevailing group or category.

### *Regulatory actions*

The WBDB may take regulatory actions against a contractor who is on the Specialist List where appropriate. These regulatory actions include: (i) removal from all categories or from a particular category in which the contractor is listed; (ii) suspension from tendering in all categories or from a particular category in which the contractor is listed. A time limit for review will be set in all cases but will not be longer than six months; (iii) downgrading or demotion in a particular category in which the contractor is listed.

### **A3. Subcontractor Registration Scheme**

To tender for and carry out capital works and maintenance works contracts in the public sector of Hong Kong as subcontractors, subcontractors shall be registered in one or more of the 52 trades in the Primary Register of the SRS (formerly known as the Voluntary Subcontractor Registration Scheme) managed by the CIC. In broad, the 52 trades cover common structural, civil, finishing, E&M



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## REGULATORY OVERVIEW

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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 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 SRS.

As at the Latest Practicable Date, Shun Hing HK, which is a member of our Group, was a registered subcontractor in the List of Registered Subcontractor on the Primary Register of the SRS. For details, please refer to the section headed “Business — Licences, permits and approvals” in this prospectus.

### *Requirements for registration*

To apply for registration in a trade on the Primary Register of the SRS, a corporate subcontractor shall comply with the following major entry requirements:

<u>Criteria</u>	<u>Major items</u>
Project undertaken or comparable experience:	<ul style="list-style-type: none"><li>• 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</li></ul>
Qualifications on Hong Kong Government registration scheme:	<ul style="list-style-type: none"><li>• listings on one or more government registration schemes relevant to the trades and specialties for which registration is sought; or</li></ul>
Qualifications/working experiences on board of directors:	<ul style="list-style-type: none"><li>• the applicant or its director having been employed by a registered subcontractor under the SRS 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</li><li>• 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.</li></ul>

### *Validity period and renewal of registration*

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

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## REGULATORY OVERVIEW

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### *Regulatory action*

The CIC may take regulatory actions against a registered subcontractor on the Primary Register of the SRS 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 Primary Register of the SRS. A registered subcontractor whose registration has been revoked shall not be eligible for reregistration for a period of two years from the date of revocation.

## **B. LICENCES AND REGISTRATIONS REQUIRED FOR OUR GROUP'S E&M ENGINEERING BUSINESSES**

### **B1. Electrical Works**

#### *B1(1) Registration under the Electricity Ordinance*

Under section 2 of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), “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 that work and the certification of design of that installation. Examples of fixed electrical installations are distribution boards, wiring installations and lighting fittings that are fixed in premises. However, persons who are engaged in work on electrical installations other than fixed electrical installations need not be registered. Examples of electrical installations other than fixed electrical installations are portable electrical home appliances such as table lamps, television sets, refrigerators, etc.

Electrical works are further classified into five grades based on the voltage and capacity of electricity involved in an electrical installation and industry specialisation.

#### *Registered electrical workers*

Only a registered electrical worker (“**REW**”) registered with the EMSD under the Electricity Ordinance shall do the electrical works specified in his certificate of registration. However, where a non-REW works under the oral or written instruction of a REW who is aware of and responsible for that non-REW’s work, the non-REW may do electrical works of the kind specified in the supervising REW’s certificate of registration, except the following:

- certifying that a fixed electrical installation complies with the Electricity Ordinance; or
- works on energised parts of a fixed electrical installation when the non-REW is not immediately adjacent to the supervising REW.

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## REGULATORY OVERVIEW

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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 (Chapter 406D of the Laws of Hong Kong), 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.

As at the Latest Practicable Date, 16 of our Group's technical staff were REW.

### *Registered electrical contractors*

To qualify as a Registered Electrical Contractor registered with the EMSD under the Electricity Ordinance, a corporate applicant must employ at least one REW. No contractor shall do business as an electrical contractor or carry out electrical works unless it is a REC.

As at the Latest Practicable Date, Shun Hing HK, which is a member of our Group, is a REC.

### *Validity period and renewal of registration*

A registration for REW or REC is valid for the 3 year period shown on the certificate of registration. Under Regulation 13 of the Electricity (Registration) Regulations, a REW or REC shall apply to the Director of the EMSD for renewal of its/his registration within one to four months prior to the date of expiry of the registration.

### *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 registrant;
- (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 registrant;
- (d) suspend the registrant'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 registrant obtained registration by fraud or on the basis of misleading or inaccurate information; (ii) the registration was made in error; or (iii) the registrant is no longer qualified under the Electricity Ordinance to be registered.

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## REGULATORY OVERVIEW

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### *B1(2) Undertaking contracts in the public sector*

#### *Specialist Contractors for Electrical Installation*

To register as a Specialist Contractor for Electrical Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed “— A2. Undertaking public works contracts” in this section above.

The major specific criteria for admission and retention on the Specialist List for Electrical Installation are set out below:

Specific admission/ retention criteria	Group I (direct entry)	Group II (direct entry or entry on probation)	Group III (entry on probation) ( <i>Note</i> )
<b>Financial criteria</b>			
Minimum employed capital	HK\$0.57 million	HK\$0.57 million	HK\$4.7 million
Minimum working capital	HK\$0.57 million	HK\$0.57 million	HK\$3.4 million
<b>Major technical and management criteria</b>			
Registration with relevant authorities in Hong Kong	The applicant shall be a REC.	The applicant shall be a REC.	1. The applicant shall be a REC 2. Relevant accredited Quality Management System (“QMS”) certificates
Minimum number of technical staff	Technical support staff: • 1 technician • 1 site supervisor • 1 draftsman	Technical support staff: • 2 technicians • 2 site supervisors • 1 draftsman	Qualified engineer: • 1 qualified engineer (electrical or building services discipline)
	Craftsman: • Employ adequate numbers of craftsman	Craftsman: • Employ adequate numbers of craftsman	Technical support staff: • 2 technicians • 4 site supervisors • 2 draftsmen
	Statutory registration: • 1 REW in Grade B0	Statutory registration: • 1 REW in Grade B0 • 1 REW in Grade B2 • 2 REWs in Grade A2	Craftsman: • Employ adequate numbers of craftsman

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## REGULATORY OVERVIEW

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Specific admission/ retention criteria	Group I (direct entry)	Group II (direct entry or entry on probation)	Group III (entry on probation) ( <i>Note</i> )
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- Statutory registration:
- 1 REW in Grade C0
  - 2 REWs in Grade C2
  - 5 REWs in Grade A2

*Note:* Direct entry to Group III is not permitted.

The current restriction of contract sum for the contract performed by each of Group I, Group II and Group III Specialist Contractors are HK\$2.3 million, HK\$5.7 million and unlimited value respectively.

Contractors registered with the WBDB as Specialist Contractors for Electrical Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of low voltage electrical installation comprising incoming electricity supply, main and sub-main distribution system, final circuits, power points, lighting points, lighting fittings, electrical appliances, lightning protection and earthing system for building and amenity projects subject to certain tender limits.

As at the Latest Practicable Date, Shun Hing HK, which is a member of our Group, was registered as a Specialist Contractor for Electrical Installation (Group II) (on probation).

### **B2. Mechanical, Ventilation and Air-conditioning (MVAC) Systems**

#### ***B2(1) Registration with the Building Authority***

##### *Registered Specialist Contractor in the Ventilation Works Sub-register*

To undertake ventilating system works under the Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong) in respect of the construction, inspection and certification of ventilation systems with ducting and trunking passing across building compartments, a contractor shall be a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance.

As at the Latest Practicable Date, Shun Hing HK, which is a member of our Group, was a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance.

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## REGULATORY OVERVIEW

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### *Registered Minor Works Contractor (Types A, E or G)*

Further details of our qualifications as registered minor works contractor are set out in the paragraph headed “— A1(2) Registered minor works contractor” in this section.

For more details on the registration regimes for registered specialist contractors and registered minor works contractor under the Buildings Ordinance, please refer to the paragraph headed “— A1. Contractors registration system for building works” in this section.

### *B2(2) Tendering for contracts in the public sector*

#### *Specialist Contractors for Air-conditioning Installation*

To register as a Specialist Contractor for Air-conditioning Installation, a registrant shall satisfy the applicable financial, technical and management criteria, a general summary of which is provided under the paragraph headed “— A2. Undertaking public works contracts” in this section.

The major specific criteria for admission and retention on the Specialist List for Air-conditioning Installation are set out below:

<b>Specific Admission/ retention criteria</b>	<b>Group I (direct entry)</b>	<b>Group II (entry on probation)<sup>(Note)</sup></b>
<b>Financial criteria</b>		
Minimum employed capital	HK\$0.57 million	HK\$4.7 million
Minimum working capital	HK\$0.57 million	HK\$3.4 million
<b>Major technical and management criteria</b>		
Registration with relevant authorities in Hong Kong	The applicant: <ul style="list-style-type: none"><li>• is a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance; and</li><li>• is a REC.</li></ul>	The applicant: <ul style="list-style-type: none"><li>• is a Registered Specialist Contractor in the Ventilation Works Sub-register under the Buildings Ordinance;</li><li>• is a REC; and</li><li>• has relevant accredited QMS certificates.</li></ul>

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## REGULATORY OVERVIEW

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Specific Admission/ retention criteria	Group I (direct entry)	Group II (entry on probation) <sup>(Note)</sup>
Minimum number of technical staff	Technical support staff: <ul style="list-style-type: none"> <li>• 2 technicians</li> <li>• 2 site supervisors</li> <li>• 1 draftsman</li> </ul> Craftsman: <ul style="list-style-type: none"> <li>• Employ adequate numbers of craftsman</li> </ul> Statutory registration: <ul style="list-style-type: none"> <li>• 1 REW in Grade A2</li> <li>• 1 licensed plumber</li> </ul> (the licensed plumber and REW can be the technical support staff or craftsman)  Qualified welder: <ul style="list-style-type: none"> <li>• Employ 1 qualified welder</li> </ul>	Qualified engineer: <ul style="list-style-type: none"> <li>• 1 qualified engineer (mechanical or building services discipline)</li> </ul> Technical support staff: <ul style="list-style-type: none"> <li>• 2 technicians</li> <li>• 4 site supervisors</li> <li>• 2 draftsmen</li> </ul> Craftsman: <ul style="list-style-type: none"> <li>• Employ adequate numbers of craftsman</li> </ul> Statutory registration: <ul style="list-style-type: none"> <li>• 2 REW in Grade A2</li> <li>• 1 licensed plumber</li> </ul> (the licensed plumber and REW can be the qualified engineer, technical support staff or craftsman)  Qualified welder: <ul style="list-style-type: none"> <li>• Employ 2 qualified welders</li> </ul>

*Note:* Direct entry to Group II is not permitted.

Contractors registered with the WBDB as Specialist Contractors for Air-conditioning Installation are eligible to tender for and carry out public works in Hong Kong concerning the supply, installation and maintenance of air-conditioning installation comprising chillers, refrigeration systems, heat rejection plant, pipeworks, water handling equipment, air ducts, air handling equipment, thermal insulation, control and monitoring system subject to certain tender limits.

As at the Latest Practicable Date, Shun Hing HK, which is a member of our Group, was registered as Specialist Contractors for Air-conditioning Installation (Group II).

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## REGULATORY OVERVIEW

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### C. LICENCES AND REGISTRATIONS FOR FIRE SERVICE AND PLUMBING INSTALLATION

#### C1. Fire Service

##### *C1.1 Fire Service Installation Contractors (“RFC”)*

To undertake works in respect of the installation, maintenance, repairs or inspection of any fire service installation or equipment in Hong Kong, a contractor shall be a registered fire service installation contractor with the Fire Services Department in at least one of the three classes under the Fire Service (Installation Contractors Regulations) (Chapter 95A of the Laws of Hong Kong):

Class 1: Registered contractors who are fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains an electrical circuit or other apparatus for the detection and warning, by alarm or otherwise, of smoke or fire.

Class 2: Registered contractors who are fit to install, maintain, repair and inspect any fire service installation or equipment (other than portable equipment) which contains-

- (a) pipes and fittings designed or adapted to carry water or some other fire extinguishing medium; or
- (b) any type of electrical apparatus other than those specified in class 1.

Class 3: Registered contractors who are fit to maintain, repair and inspect portable equipment.

The major minimum qualifications for registration are set out below:

- Class I            At least one director or employee of a corporate applicant shall:
- hold a degree in electrical engineering satisfying the prescribed examination requirements for corporate membership of the Institution of Electrical Engineers; and
  - be the manufacturer (or its authorised agent) or designer of an electrical circuit or other apparatus, recognised by the Director of Fire Services, for the detection by alarm or otherwise of smoke or fire.
- Class II            At least one director or employee of a corporate applicant shall:
- hold a Grade I plumber’s licence issued under the Waterworks Ordinance (Chapter 102 of the Laws of Hong Kong); and
  - hold a diploma from an approved institution in electrical engineering or a qualification recognised as equivalent to such a diploma by the Director of Fire Services.



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## REGULATORY OVERVIEW

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- Class III Individual applicant shall be a Hong Kong resident of 21 years of age or more and demonstrate adequate knowledge of:
- the function and maintenance of portable equipment; and
  - the related regulations made under the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong).

### *C1.2 Specialist Contractor for Fire Service*

To register as a Specialist Contractor for Fire Service Installation, a registrant shall satisfy the applicable financial, technical and management criteria:

<u>Specific retention criteria</u>	<u>Group I (direct entry)</u>	<u>Group II (entry on probation (<i>Note</i>))</u>
<b>Financial criteria</b>		
Minimum employed capital	HK\$0.57 million	HK\$0.57 million
Minimum working capital	HK\$0.57 million	HK\$0.57 million
<b>Major technical and management criteria</b>		
Registration with relevant authorities in Hong Kong	The applicant shall be a RFC (Classes I and 2) and a REC.	<ol style="list-style-type: none"> <li>1. The applicant shall be a RFC (Classes I and 2) and a REC.</li> <li>2. Relevant accredited Quality Management System certificates</li> </ol>
Minimum number of Technical staff	Technical support staff: <ul style="list-style-type: none"> <li>• 2 technicians</li> <li>• 2 site supervisors</li> <li>• 1 draftsman</li> </ul> Craftsman: <ul style="list-style-type: none"> <li>• Employ adequate numbers of craftsmen</li> </ul> Statutory registration: <ul style="list-style-type: none"> <li>• 1 RFC (Class 3)</li> <li>• 1 REW in Grade A2</li> <li>• 1 licensed plumber</li> </ul>	Qualified engineer: <ul style="list-style-type: none"> <li>• 1 qualified engineer (mechanical, electrical or building services discipline)</li> </ul> Technical support staff: <ul style="list-style-type: none"> <li>• 2 technicians</li> <li>• 4 site supervisors</li> <li>• 2 draftsmen</li> </ul> Craftsman: <ul style="list-style-type: none"> <li>• Employ adequate numbers of craftsmen</li> </ul> Statutory registration: <ul style="list-style-type: none"> <li>• 1 RFC (Class 3)</li> <li>• 1 REW in Grade A2</li> <li>• 1 licensed plumber</li> </ul>

*Note:* Direct entry to Group II is not permitted.

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## REGULATORY OVERVIEW

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### C2. Plumbing Installation

#### C2.1 Specialist Contractor for Plumbing Installation

To register as a Specialist Contractor for Plumbing Installation, a registrant shall satisfy the applicable financial, technical and management criteria:

Specific retention criteria	Group I (direct entry)	Group II (entry on probation ( <i>Note</i> ))
<b>Financial criteria</b>		
Minimum employed capital	HK\$0.57 million	HK\$0.57 million
Minimum working capital	HK\$0.57 million	HK\$0.57 million
<b>Major technical and management criteria</b>		
Registration with relevant authorities in Hong Kong	The applicant is a REC.	<ol style="list-style-type: none"> <li>1. The applicant is a REC.</li> <li>2. Relevant accredited Quality Management System certificates</li> </ol>
Minimum number of Technical staff	Technical support staff: <ul style="list-style-type: none"> <li>• 2 technicians</li> <li>• 2 site supervisors</li> <li>• 1 draftsman</li> </ul> Craftsman: <ul style="list-style-type: none"> <li>• Employ adequate numbers of craftsmen</li> </ul> Statutory registration: <ul style="list-style-type: none"> <li>• 1 licensed plumber (Grade I)</li> <li>• 1 REW in Grade A2</li> </ul>	Qualified engineer: <ul style="list-style-type: none"> <li>• 1 qualified engineer (mechanical, building services or electrical discipline)</li> </ul> Technical support staff: <ul style="list-style-type: none"> <li>• 2 technicians</li> <li>• 4 site supervisors</li> <li>• 2 draftsmen</li> </ul> Craftsman: <ul style="list-style-type: none"> <li>• Employ adequate numbers of craftsmen</li> </ul> Statutory registration: <ul style="list-style-type: none"> <li>• 1 licensed plumber (Grade I)</li> <li>• 1 REW in Grade A2</li> </ul>

*Note:* Direct entry to Group II is not permitted.

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## REGULATORY OVERVIEW

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### D. LABOUR, HEALTH AND SAFETY LAWS AND REGULATIONS

#### D1. Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) (“**Factories and Industrial Undertakings Ordinance**”) provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by, so far as is reasonably practicable:

- 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.

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.

#### D2. Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

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## REGULATORY OVERVIEW

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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 may also issue (i) improvement notice against contravention of this Ordinance or the Factories and Industrial Undertakings Ordinance requiring employer to remedy the contravention within specific period/refrain from continuing or repeating the contravention or (ii) 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.

### **D3. Occupiers Liability Ordinance**

The Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) (“**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.

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## REGULATORY OVERVIEW

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### **D4. Employees' Compensation Ordinance**

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("**Employees' Compensation Ordinance**") establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

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

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

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

### **D5. 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 (Chapter 57 of the Laws of Hong Kong) ("**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 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).

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## **REGULATORY OVERVIEW**

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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 him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

### **D6. Immigration Ordinance**

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

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

### **D7. Minimum Wage Ordinance**

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 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.

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## REGULATORY OVERVIEW

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### **D8. Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) (“CWRO”)**

The CWRO was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal objective of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

#### *Employment of registered construction workers*

Under sections 3(1) and 5 of the CWRO, 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.

#### *Keeping and submission of site daily attendance report*

Under section 58 of the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a daily record in the specified form that contains information on registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller (section 58(7)(a) of the CWRO); and
2. 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 (section 58(7)(b) of the CWRO).

### **E. ENVIRONMENTAL PROTECTION**

#### **E1. Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (“APCO”)**

The APCO 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 APCO impose control on air pollutant emissions from certain operations through the issue of licences and permits.

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## REGULATORY OVERVIEW

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A contractor shall observe and comply with the APCO 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 APCO require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

### **E2. Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (“NCO”)**

The NCO controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the NCO and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling 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 NCO, 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 NCO, shall be liable (a) on first conviction to a fine of HK\$100,000; (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.

### **E3. Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (“WDO”)**

The WDO 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 WDO and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulations (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulations (Chapter 354C of the Laws of Hong Kong).



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## REGULATORY OVERVIEW

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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.

Under the Waste Disposal (Chemical Waste) (General) Regulations, 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 the staff of the Environmental Protection Department.

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

### **F. COMPETITION LAW**

#### **F1. Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the “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).

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## REGULATORY OVERVIEW

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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.

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; (d) bid-rigging.

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

### **G. LAWS AND REGULATIONS IN RELATION TO LEVY**

#### **G1. Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) (“CICO”)**

According to section 32 of the CICO, construction industry levy (“**CIL**”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) or any persons who carry out construction operations in Hong Kong to the CIC. “Construction operation” is exhaustively defined under Schedule 1 of the CICO, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance, construction, alteration, repair, maintenance, extension, demolition or dismantling, external or internal cleaning and painting or decorating any external or internal surfaces or parts of any buildings, or other temporary or permanent structures forming part of land.

On and after 20 August 2012, the CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the CICO) concerned (0.4% before 20 August 2012). Pursuant to section 32 and Schedule 5 of the CICO, no CIL is chargeable for any construction operations not exceeding HK\$1,000,000.

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## REGULATORY OVERVIEW

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According to section 34 of the CICO, the contractor and authorised person each are required to inform the CIC in a specified form (Form 1) in respect of the construction operations within 14 days after its commencement. It is an offence if a person without reasonable excuse failed to give such notice and liable to a fine at level 1, which is fixed at HK\$2,000. Notice is only required for term contract or if the reasonable estimation of the total value of construction operations exceeds HK\$1,000,000.

Pursuant to section 35 of the CICO, a contractor is required to give a Notice of Payment (“**NOP**”) in a specified form (Form 2) to the CIC within 14 days after the contractor receives a payment in respect of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOP and liable to a fine at level 3, which is fixed at HK\$10,000.

Pursuant to section 36 of the CICO, a contractor is required to give a Notice of Completion (“**NOC**”) in a specified form (Form 3) to the CIC within 14 days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOC and liable to a fine at level 3, which is fixed at HK\$10,000.

The CIC shall assess the CIL payable upon receiving the NOP or NOC and give a Notice of Assessment (“**NOA**”) in writing specifying the amount of CIL. The CIC can also make the assessment notwithstanding no NOP or NOC has been given. According to section 41 of the CICO, if a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a Notice of Surcharge (“**NOS**”) in writing shall be given by the CIC.

According to section 46 of the CICO, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount shall be imposed.

According to section 47 of the CICO, CIL, surcharge, penalty or further penalty is recoverable by the CIC as civil debt under the jurisdiction of the District Court. The time limits for the CIC to make the assessment or imposing the surcharge under sections 42 to 45 of the CICO are, whichever is the last of the following periods:

- (a) two years after the completion of all construction operations under the contract, or without term contract two years after the completion of the construction operations;
- (b) two years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the CIC to justify the making of the assessment, comes to its knowledge.

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## REGULATORY OVERVIEW

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### **G2. Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) and Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong)**

According to section 35 of the PMCO, pneumoconiosis compensation fund levy (“**PCFL**”) is imposed in respect of construction operations carried out in Hong Kong. PCFL is rated at 0.15% of the value of the construction operations (0.25% before 20 August 2012) and not chargeable if the total value (as defined under section 39D of PMCO) do not exceed HK\$1,000,000. Pursuant to section 39A of the PMCO, PMCO does not apply to construction operations for domestic unit, or for the sole and principal purpose of renovation.

Pursuant to section 35(5) of the PMCO, the contractor is liable to make a payment of PCFL only if the Pneumoconiosis Compensation Fund Board (“**PCFB**”) serves a NOA. According to section 38 of the PMCO, PCFL, surcharge, penalty or further penalty is recoverable by the PCFB as debt under the jurisdiction of the District Court. According to section 39 of the PMCO, fraudulent evasion of the payment of PCFL is liable for a fine of HK\$10,000 or 20 times the amount of PCFL, whichever is greater.

Contractors are required to:

- (a) inform the PCFB the commencement of construction operations within 14 days thereafter by a notice of commencement (Form 1). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000;
- (b) inform the PCFB within 14 days after the contractor receives a payment in respect of the construction operation by a NOP (Form 2). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000; and
- (c) inform the PCFB the completion of the construction operations within 14 days by a NOC (Form 3). Failure to comply without reasonable excuse is liable for a fine at Level 2, which is fixed at HK\$5,000.

According to regulation 6 of the PMCALR, the PCFB shall assess the PCFL payable upon receiving the NOP or NOC and give a NOA in writing specifying the amount of PCFL. The PCFB can make the assessment notwithstanding no NOP or NOC has been given. If a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the PCFL payable may be imposed and a NOS in writing shall be given by the PCFB.

According to section 37 of the PMCO, if the contractor fails to pay in full the amount of levy or surcharge within 28 days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within 3 months after the expiry of 28 days, a further 5% penalty of the unpaid amount or HK\$1,000 whichever is greater shall be imposed.

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## REGULATORY OVERVIEW

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The time limits for the PCFB to make the assessment or imposing the surcharge under regulations 6E to 6H of the PMCALR are, whichever is the last of the following periods:

- (a) two years after the completion of all construction operations under the contract, or without term contract two years after the completion of the construction operations;
- (b) two years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the PCFB to justify the making of the assessment, comes to its knowledge.

### H. OTHERS

#### H1. Security of Payment Legislation for the Construction Industry (“SOPL”)

The Hong Kong Government has recently completed a public consultation on a new legislation for the construction industry to address unfair payment terms, payment delays and disputes and intended to proceed with such new legislation. The proposed SOPL is intended to encourage fair payment, rapid dispute resolution and increase cash flow in the contractual chain.

When it comes into force, it is proposed that SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined by the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)) which has an original value in excess of HK\$5 million will be caught in private sector. However, where the proposed SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

It is proposed that the new legislation will:

- prohibit “pay when paid” and similar clauses in contracts. “Pay when paid” refers to provisions in contracts that (i) make payment contingent or conditional on the operation of other contract or agreement and (ii) make payment conditional on the payer receiving payment from a third party. Payers will not be able to rely on such clauses in dispute resolution forums;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;
- enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and

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## REGULATORY OVERVIEW

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- give parties who have not been paid amounts admitted as due the right to suspend works until payment is made.

It is probable that some of our contracts will fall under the proposed SOPL and where such contracts are subject to the new legislation we will have to ensure that their terms comply with the new legislation in this regard. The proposed SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process and therefore it is generally considered that where the proposed SOPL applies, this will have a positive impact on ensuring that we and our subcontractors or suppliers get paid in a timely manners.

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

In light of the above, we plan to implement the following measures to comply with the proposed SOPL once it becomes effective:

- (1) for future contracts with our subcontractors and/or suppliers, we will ensure the terms comply with the new SOPL;
- (2) among all the contracts with our suppliers and subcontractors, we have identified five projects with a total of twelve on-going contracts with our subcontractors which contain “pay when paid” clauses and may be caught by the SOPL, if and when implemented. We have prepared draft supplemental contracts with payment terms that comply with the currently proposed terms of the SOPL and will finalise such supplemental contracts and arrange for execution with our subcontractors once the SOPL is implemented; and
- (3) we will review our internal financial resources on a regular basis and ensure sufficient cash flow to pay for our subcontractors and/or suppliers in compliance with the requirements under the new SOPL.

Given the small number of contracts which will fall under the proposed SOPL and that all related works have been completed in preparation of the implementation of the SOPL, our Directors are of the view that the SOPL, if and when implemented, will have minimal impact on our business. Also, given that our existing payment practice with major subcontractors generally satisfies the 60 calendar day interim payment period requirement under the proposed SOPL, our Directors are of the view that the enactment of the SOPL under its currently proposed framework would not result in material change in respect of our actual payment schedule with subcontractors under the existing contractual arrangements nor have any material impact on our Group’s liquidity.

The proposed SOPL is subject to the finalisation of the legislation framework and the legislative process by the Hong Kong Government. Therefore, the actual scope of application of the proposed SOPL and its impact on our Group’s future operations above may be subject to further change.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### INTRODUCTION

Our Group is principally engaged in the provision of E&M engineering services with the focus on the supply, installation and maintenance of MVAC system in Hong Kong. The history of our Group can be traced back to November 1986 when Golden Light was incorporated. Mr. Yu, our executive Director, chairman and the founder of our Group, became a controlling shareholder of Golden Light in March 1987 with his own source of funding. In the same year, Mr. Yu incorporated Shun Hing HK with an intention to commence E&M engineering works. Mr. Lau, our executive Director and chief executive officer joined Shun Hing HK in October 1995 as the sales and marketing manager where he subsequently became a shareholder of Shun Hing HK and Golden Light in August 1997 and July 2004, respectively. For the background and relevant industry experience of Mr. Yu and Mr. Lau, please refer to the section headed “Directors, senior management and employees” in this prospectus.

Since July 2004, Mr. Yu and Mr. Lau have jointly managed the business operations of our Group. In early years, our Group undertook small-scale engineering projects in Hong Kong. Our Group has expanded its E&M engineering business over the years and provided larger-scale E&M engineering services to both private and public sectors. Shun Hing HK, our operating entity, is currently registered as a specialist contractor (sub-register of ventilation works) and a minor work contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under “Air-conditioning Installation” (Group II) and “Electrical Installation” (Group II) (on probation) category of works under the WBDB.

### KEY BUSINESS MILESTONES

Set forth below are the key business milestones of our Group since its establishment:

Year	Milestones
1986	Golden Light, our first operating subsidiary, was incorporated in Hong Kong.
1987	Shun Hing HK was incorporated in Hong Kong.
1991	Shun Hing HK became an approved contractor on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Group I (on probation) of the “Air-conditioning and Refrigeration Plants, including Ductwork” category.
1992	We were awarded a contract as a subcontractor for the supply and installation of MVAC system for the construction of Ta Kwu Ling Rural Centre.
1995	We became an authorised dealer of our first American air-conditioning equipment manufacturer.
1997	Shun Hing HK was awarded ISO9002:1994 quality management system certification.
1998	We became an authorised dealer of our second American air-conditioning equipment manufacturer.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Year	Milestones
1999	Shun Hing HK was promoted to be an approved contractor on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Group II of the “Air-conditioning and Refrigeration Installations” category.
2003	We became an authorised dealer of our first Japanese air-conditioning equipment manufacturer.
2003-2009	We were awarded a number of contracts to provide a wide spectrum of E&M engineering services, which include: <ul style="list-style-type: none"><li>— E&amp;M installation for a public hospital in Yau Ma Tei</li><li>— E&amp;M refurbishment works for a private hospital in Kowloon City</li><li>— E&amp;M installation for a new medical block for a private hospital in Causeway Bay</li><li>— E&amp;M renovation works for a private hospital in Happy Valley</li><li>— E&amp;M installation for a private hospital extension in Shatin</li></ul>
2010	Shun Hing HK has changed its name to “Shun Hing E & M Engineering Limited”. We were awarded a number of contracts in relation to chiller replacement works for shopping malls managed by a real estate investment trust.
2012	We were awarded a contract of E&M installation works for a food factory in Tai Po Industrial Estate.
2013	We became an authorised dealer of our third American air-conditioning equipment manufacturer.
2014	We were awarded contracts of MVAC installation works for two residential development projects at Tseung Kwan O. We were awarded a contract of MVAC installation works for remodelling works of a shopping mall at Tsim Sha Tsui.
2015	We were awarded a contract of MVAC installation works for a residential development project at Yuen Long. We were awarded a contract of MVAC installation works for an office building development project at Kwun Tong.
2016	We were awarded contracts of MVAC installation works for a number of residential development projects in Tseung Kwan O and Kai Tak. Shun Hing HK was awarded ISO 14001:2004 environmental management system certification and OHSAS 18001:2007 health and safety management system certification. Shun Hing HK became an approved contractor on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Group II (on probation) of the “Electrical Installation” category.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### CORPORATE HISTORY

#### Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 May 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon the completion of the Reorganisation, it became the holding company of our Group with the business conducted through the operating subsidiaries of our Group. Set forth below is the corporate history of our operating subsidiaries:

#### Shun Hing HK

On 11 August 1987, Shun Hing HK was incorporated in Hong Kong with limited liability with an initial authorised share capital of HK\$300,000 divided into 300,000 shares of HK\$1.00 each. As at the date of incorporation, each of Mr. Yu and the late Mr. Yim Wai Man, being an Independent Third Party, held 150,000 fully paid shares of Shun Hing HK, respectively. On 30 August 1991, 50,000 shares of Shun Hing HK were allotted and issued to each of Mr. Yu and Mr. Yim Wai Man at par, respectively.

Subsequent to a series of transfers by the then shareholders of Shun Hing HK at the relevant time between 16 September 1996 and 5 August 1997, Shun Hing HK was owned as to approximately 50% and 50% by Mr. Yu and Mr. Yim Siu Tong Emil (“**Mr. Yim**”), an Independent Third Party, respectively.

On 7 August 1997, 1,000,000 shares, 1,000,000 shares, 300,000 shares and 300,000 shares of Shun Hing HK were allotted and issued at par, to Mr. Yu, Mr. Yim, Mr. Lau and Mr. Ho Hing Wai Henry, an Independent Third Party, respectively. Upon the completion of such allotments and issues, Shun Hing HK was owned as to approximately 40%, 40%, 10% and 10% by Mr. Yu, Mr. Yim, Mr. Lau and Mr. Ho Hing Wai Henry, respectively.

On 14 January 2002, Mr. Ho Hing Wai Henry transferred 150,000 shares and 150,000 shares of Shun Hing HK to each of Mr. Yu and Mr. Yim, at the consideration of HK\$150,000 and HK\$150,000, respectively, each of which was determined with reference to the par value of the shares transferred and was settled. On 30 August 2002, 675,000 shares, 675,000 shares and 150,000 shares of Shun Hing HK were allotted and issued at par, to Mr. Yu, Mr. Yim and Mr. Lau, respectively. Upon completion of such transfers and allotments, Shun Hing HK was owned as to 45%, 45% and 10% by Mr. Yu, Mr. Yim and Mr. Lau, respectively.

On 21 July 2004, Mr. Yim transferred 1,655,000 shares and 360,000 shares of Shun Hing HK to Mr. Yu and Mr. Lau, at the consideration of HK\$5,478,333 and HK\$1,199,370, respectively, each of which was determined with reference to the net asset value of Shun Hing HK and was settled. Upon completion of such transfers, Shun Hing HK was owned as to 82% and 18% by Mr. Yu and Mr. Lau, respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 4 January 2010, 246,000 shares of Shun Hing HK were allotted and issued at par, to Mr. Yu. On 4 January 2010, 54,000 shares of Shun Hing HK were allotted and issued to Mr. Lau at par. Upon completion of such allotments and issues, Shun Hing HK was owned as to 82% and 18% by Mr. Yu and Mr. Lau, respectively.

Shun Hing HK is a major operating subsidiary of our Group. Shun Hing HK commenced its business on 11 August 1987 and is principally engaged in the provision of E&M engineering services with the focus on the supply, installation and maintenance of MVAC System in Hong Kong.

As part of the Reorganisation, Shun Hing HK became a wholly-owned subsidiary of our Company pursuant to the Reorganisation. For further details, please refer to the paragraph headed “— Reorganisation” in this section.

### Golden Light

On 28 November 1986, Golden Light was incorporated in Hong Kong with limited liability with an initial authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. As at the date of incorporation, each of Wealth Registration Services Co. Ltd and Enrichway Limited, both being Independent Third Parties, held one fully-paid subscriber share. On 3 March 1987, Golden Light increased its authorised share capital from HK\$10,000 divided into 10,000 shares of HK\$1.00 each to HK\$250,000 divided into 250,000 shares of HK\$1.00 each. On the same day, 99,999 shares of Golden Light were allotted and issued to Mr. Yu at par, whilst 49,999 shares, 50,000 shares, 50,000 shares of Golden Light were allotted and issued at par, to Mr. Ng King Keung, Francis, Mr. Leung Kwok Ip, Ms. Lai Ching Yee, all being Independent Third Parties, respectively. Upon completion of such allotments and issues, Golden Light was owned as to approximately 40%, 20%, 20% and 20% by Mr. Yu, Mr. Ng King Keung, Francis, Mr. Leung Kwok Ip and Ms. Lai Ching Yee, respectively.

On 2 April 1987, one subscriber share of Golden Light held by Wealth Registration Services Company Limited was transferred to Mr. Yu, whilst one subscriber share of Golden Light held by Enrichway Limited was transferred to Mr. Ng King Keung, Francis, both at the consideration of HK\$1.0, which was determined with reference to the par value of the shares transferred and was settled. Upon completion of such transfers, Golden Light was owned as to 40%, 20%, 20% and 20% by Mr. Yu, Mr. Ng King Keung, Francis, Mr. Leung Kwok Ip and Ms. Lai Ching Yee, respectively.

Subsequent to a series of transfers by the then shareholders of Golden Light at the relevant time between 13 September 1988 and 19 November 1996, Mr. Ng King Keung, Francis, Mr. Leung Kwok Ip and Ms. Lai Ching Yee ceased to hold interest in Golden Light and Golden Light was owned as to 50% by Mr. Yu and 50% by Mr. Yim, respectively.

On 21 July 2004, Mr. Yim transferred 80,000 shares and 45,000 shares of Golden Light to Mr. Yu and Mr. Lau, at a consideration of HK\$96,000 and HK\$54,000, respectively. The consideration for such transfer was determined with reference to the arms' length negotiation between the parties and was settled. As a result of such transfers, Golden Light was owned as to 82% and 18% by Mr. Yu and Mr. Lau, respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Golden Light was previously engaged in the sale of air-conditioning equipment and currently has no business operation.

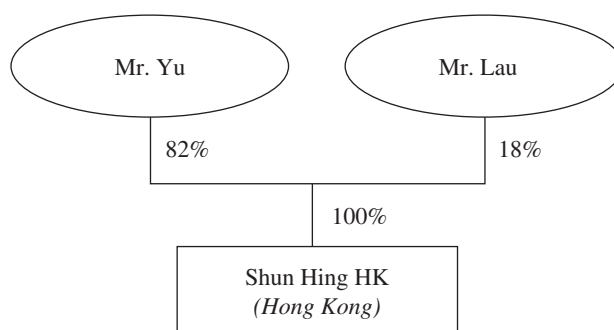
As part of the Reorganisation, Golden Light became a wholly-owned subsidiary of our Company pursuant to the Reorganisation. For further details, please refer to the paragraph headed “—Reorganisation” in this section.

### ACTING-IN-CONCERT CONFIRMATION

On 7 July 2016, Mr. Yu and Mr. Lau entered into the Acting-in-concert Confirmation, whereby they confirmed that among other things, since 21 July 2004, (i) they have been actively cooperating with one another and acting in concert, with an aim to achieving consensus and concerted action on all operating and financing decisions and major affairs relating to each member company within our Group, including matters required to be approved by members and shareholders under the respective articles of association or equivalent constitutional documents of each member company within our Group; (ii) when exercising voting rights at the members’, shareholders’ and directors’ meetings of each member company within our Group, they have voted, or procured any entities and trusts controlled by them (if any) which were entitled to vote at the members’, shareholders’ and directors’ meetings of each member company within our Group to vote, as the case may be, unanimously in accordance with the consensus achieved among them; and (iii) prior to voting on any resolutions in the members’, shareholders’ and directors’ meetings of each member company within our Group, Mr. Yu and Mr. Lau discussed the relevant matters with one another with a view to reaching consensus and an unanimous vote, and decisions based on the consensus achieved in the members’, shareholders’ and directors’ meetings of each member company within our Group were not challenged by Mr. Yu or Mr. Lau for any reason.

### CORPORATE STRUCTURE IMMEDIATELY BEFORE THE REORGANISATION

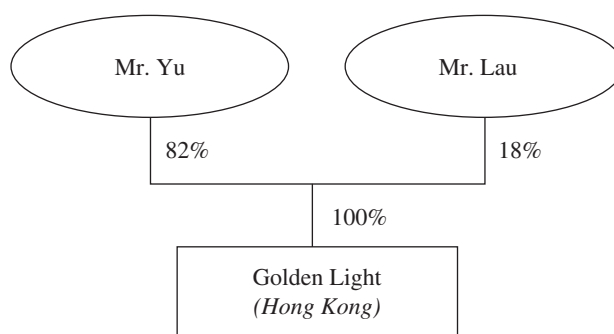
Set forth below is the corporate and shareholding structure of our Group immediately before the Reorganisation:



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation, the major steps of which include:

#### **Incorporation of Simply Grace**

On 8 February 2016, Simply Grace, an investment holding company, was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of one class with par value of US\$1.00 each. On 16 March 2016, one share of Simply Grace was allotted and issued to Mr. Lau at par. Upon completion of such allotment and issue, Simply Grace was wholly-owned by Mr. Lau.

#### **Incorporation of Prosperously Legend**

On 15 March 2016, Prosperously Legend, an investment holding company, was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of one class with par value of US\$1.00 each. On 15 March 2016, one share of Prosperously Legend was allotted and issued to Mr. Yu at par. Upon completion of such allotment and issue, Prosperously Legend was wholly-owned by Mr. Yu.

#### **Incorporation of Triumph Legend**

On 16 March 2016, Triumph Legend, an investment holding company, was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of one class with par value of US\$1.00 each. On 16 March 2016, Triumph Legend allotted and issued 820 shares and 180 shares of Triumph Legend at par, to Mr. Yu and Mr. Lau, respectively.

#### **Incorporation of Blissful Choice**

On 18 April 2016, Blissful Choice, an investment holding company, was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of one class with par value of US\$1.00 each. On 3 June 2016, Blissful Choice allotted and issued 820 shares and 180 shares of Blissful Choice at par, to Mr. Yu and Mr. Lau, respectively.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **Incorporation of our Company**

On 9 May 2016, our Company was incorporated in the Cayman Islands as an exempted company with limited liability as the ultimate holding company of our Group. The initial authorised share capital of our Company was HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each, of which one nil-paid Share was allotted and issued at par to the initial subscriber and was subsequently transferred to Prosperously Legend on the same date. On 9 May 2016, our Company allotted and issued 81 nil-paid Shares and 18 nil-paid Shares to Prosperously Legend and Simply Grace, respectively. Upon completion of such allotments and issues, our Company was owned as to 82% and 18% by Prosperously Legend and Simply Grace, respectively.

### **Acquisition of Shun Hing HK by Triumph Legend**

On 29 March 2016, Triumph Legend acquired 3,936,000 shares and 864,000 shares of Shun Hing HK from Mr. Yu and Mr. Lau, representing the entire issued share capital of Shun Hing HK, at a consideration of HK\$3,936,000 and HK\$864,000, respectively. The consideration of each of such transfer was determined with reference to the nominal value of the issued shares of Shun Hing HK, which was subsequently waived pursuant to the deed of waiver dated 31 May 2016 given by Mr. Yu and Mr. Lau in favour of Triumph Legend. Upon completion of such transfers, Shun Hing HK became a wholly-owned subsidiary of Triumph Legend.

### **Acquisition of Golden Light by Blissful Choice**

On 22 June 2016, Blissful Choice acquired 205,000 shares and 45,000 shares of Golden Light from Mr. Yu and Mr. Lau, representing the entire issued share capital of Golden Light, at a consideration of HK\$205,000 and HK\$45,000, respectively. The consideration of each of such transfer was determined with reference to the nominal value of the issued shares of Golden Light. In consideration of such transfer, on the same day, Blissful Choice allotted and issued 820 shares and 180 shares of Blissful Choice at par, to Mr. Yu and Mr. Lau, respectively. Upon completion of such transfers, Golden Light became a wholly-owned subsidiary of Blissful Choice.

### **Acquisition of Triumph Legend and Blissful Choice by our Company**

On 30 June 2016, our Company acquired 820 shares and 180 shares of Triumph Legend from Mr. Yu and Mr. Lau, representing all the entire issued share capital of Triumph Legend at a consideration of US\$820 and US\$180, respectively. The consideration of each of such acquisition was determined with reference to the par value of the shares transferred and was satisfied by (i) crediting as fully paid at par the 82 nil-paid Shares held by Prosperously Legend and the 18 nil-paid Shares held by Simply Grace; and (ii) the allotment and issue of 369 Shares and 81 Shares by our Company to Prosperously Legend and Simply Grace, respectively, at the instruction and direction of Mr. Yu and Mr. Lau, respectively, all credited as fully paid at par. Upon completion of such transfers, Triumph Legend became a wholly-owned subsidiary of our Company.

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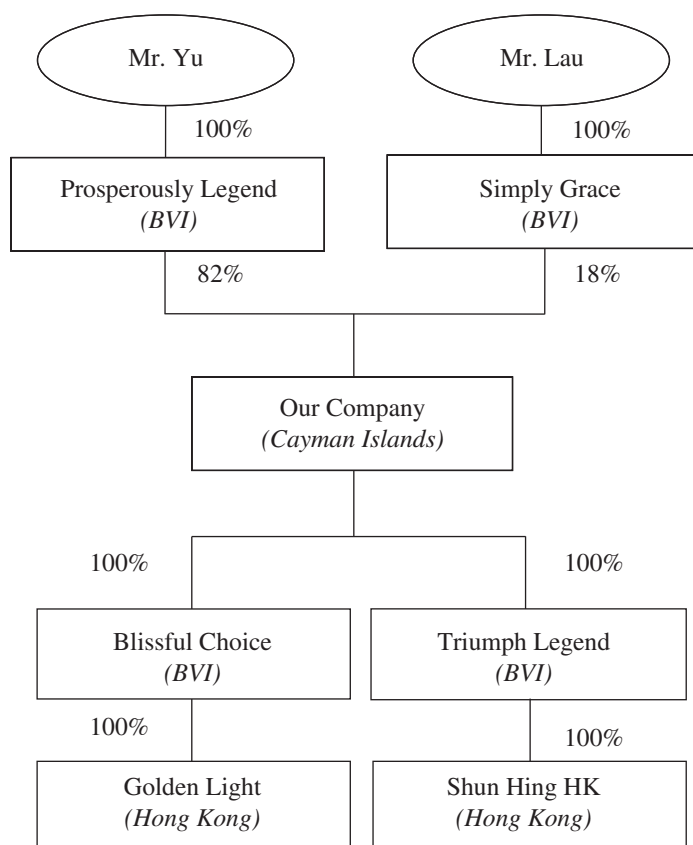
## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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On 30 June 2016, our Company acquired 1,640 shares and 360 shares of Blissful Choice from Mr. Yu and Mr. Lau, representing all the issued share capital of Blissful Choice at a consideration of US\$1,640 and US\$360, respectively. The consideration of each of such acquisition was determined with reference to the par value of the shares transferred and was satisfied by the allotment and issue of 369 Shares and 81 Shares by our Company to Prosperously Legend and Simply Grace, respectively, at the instruction and direction of Mr. Yu and Mr. Lau, all credited as fully paid at par. Upon completion of such transfers, Blissful Choice became a wholly-owned subsidiary of our Company.

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

Set forth below is the corporate and shareholding structure of our Group immediately after the Reorganisation, but before the completion of the Global Offering and the Capitalisation Issue:



### Increase in authorised share capital of our Company

The authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares in the capital of the Company pursuant to the written resolution of the Shareholders passed on 6 December 2016.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

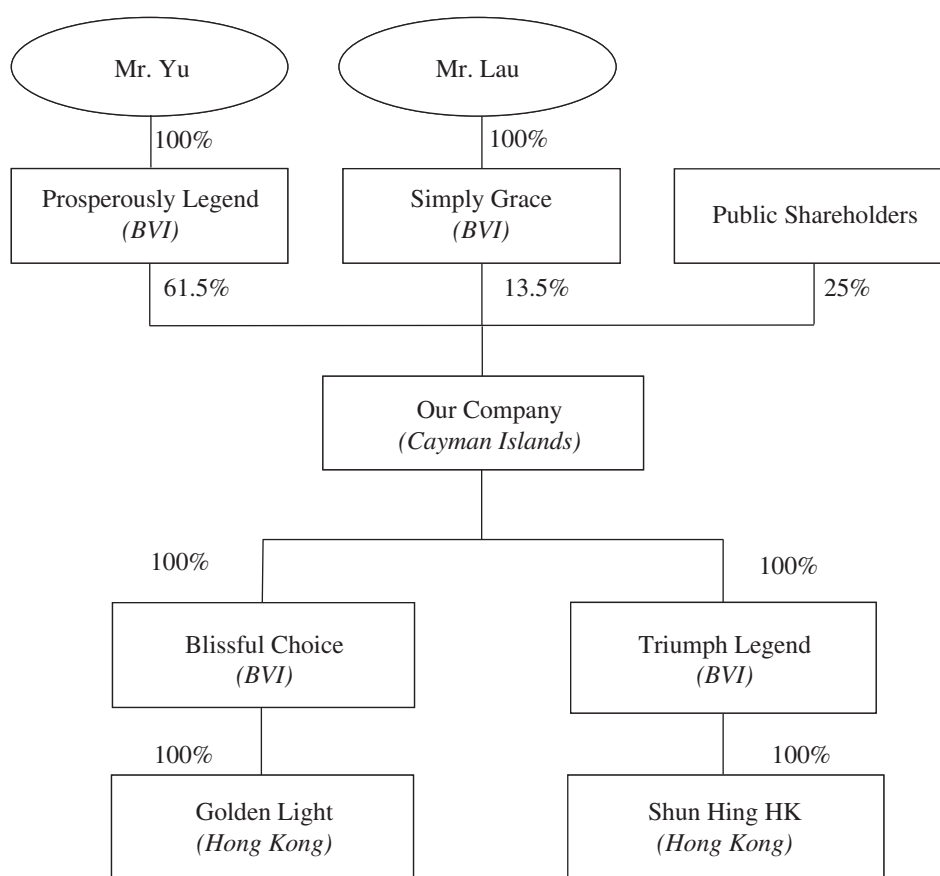
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### The Capitalisation Issue

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise an amount of HK\$3,199,990 standing to the credit of the share premium account of by applying such sums towards payment in full at par a total of 319,999,000 Shares to be allotted and issued to the Shareholders whose names are on the register of members prior to the Global Offering pro rata to their then existing shareholding in our Company.

Immediately after the Global Offering and Capitalisation Issue (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 options which may be granted under the Share Option Scheme), Prosperously Legend, Simply Grace and the public holders of Shares will hold 61.5%, 13.5% and 25%, respectively, of the enlarged issued share capital of our Company.

Set forth below is the corporate and shareholding structure immediately following the completion of the Global Offering and the Capitalisation Issue, taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme:



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## BUSINESS

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### OVERVIEW

We have been providing E&M engineering services for almost 30 years. Our operating entity, Shun Hing HK, is currently registered as a specialist contractor (sub-register of ventilation works) and a minor works contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under “Air-conditioning Installation” (Group II) and “Electrical Installation” (Group II) (on probation) category of works under the WBDB. For details of these qualifications, please refer to the paragraph headed “Licences, permits and approvals” in this section. For details of our Group’s applicable regulatory requirements in relation to these qualifications, please refer to the section headed “Regulatory overview” in this prospectus.

We mainly undertake projects that are related to the supply, installation and maintenance of the following systems depending on our customers’ needs and engagement:

- (i) MVAC system, which refers to mechanical ventilation and air-conditioning system;
- (ii) low voltage electrical system, which refers to the power system that provides electricity to other systems such as the MVAC system and lighting system; and
- (iii) other E&M systems such as:
  - fire services, which includes fire prevention, detection, suppression and extinguishing systems; and
  - plumbing and drainage system, the plumbing system provides clean and stable water supply and the drainage system removes waste water and rainwater through drainage system into the city’s sewage system.

For details of our different categories of E&M engineering services, please refer to the paragraph headed “— Business model and operations” in this section.



## BUSINESS

The following table sets forth a breakdown of our Group's revenue by different E&M engineering services during the Track Record Period:

	For the year ended 31 March						For the three months ended 30 June			
	2014		2015		2016		2015		2016	
	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
MVAC system	320,355	96.8	171,821	93.5	186,967	98.3	42,014	98.9	44,991	98.3
Low voltage electrical system	8,878	2.7	11,809	6.4	1,998	1.0	—	—	253	0.6
Other E&M systems	1,539	0.5	158	0.1	1,277	0.7	452	1.1	508	1.1
<b>Total</b>	<u>330,772</u>	<u>100.0</u>	<u>183,788</u>	<u>100.0</u>	<u>190,242</u>	<u>100.0</u>	<u>42,466</u>	<u>100.0</u>	<u>45,752</u>	<u>100.0</u>

*Note:*

If a project involves provision for more than one type of E&M engineering services, it will be categorised into the type of E&M engineering service with largest proportion of contract value.

Over 90% of our projects are supply, installation and maintenance of MVAC system for residential flats, offices, hotels, hospitals and shopping malls, and educational institutions in Hong Kong for construction companies, property developer, operator of a private hospital and government departments during the Track Record Period.

The following tables set forth the breakdown of our Group's revenue by types of projects and by sectors during the Track Record Period:

	For the year ended 31 March						For the three months ended 30 June			
	2014		2015		2016		2015		2016	
	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>	<u>Revenue</u>	<u>% of total revenue</u>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Residential	134,418	40.6	67,516	36.7	133,634	70.2	21,980	51.8	15,183	33.2
Non-residential	196,354	59.4	116,272	63.3	56,608	29.8	20,486	48.2	30,569	66.8
<b>Total</b>	<u>330,772</u>	<u>100.0</u>	<u>183,788</u>	<u>100.0</u>	<u>190,242</u>	<u>100.0</u>	<u>42,466</u>	<u>100.0</u>	<u>45,752</u>	<u>100.0</u>

## BUSINESS

	For the year ended 31 March						For the three months ended 30 June			
	2014		2015		2016		2015		2016	
	% of total		% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	274,528	83.0	164,031	89.3	156,475	82.3	26,392	62.1	30,481	66.6
Public sector	56,244	17.0	19,757	10.7	33,767	17.7	16,074	37.9	15,271	33.4
<b>Total</b>	<u>330,772</u>	<u>100.0</u>	<u>183,788</u>	<u>100.0</u>	<u>190,242</u>	<u>100.0</u>	<u>42,466</u>	<u>100.0</u>	<u>45,752</u>	<u>100.0</u>

All the projects of our Group during the Track Record Period and up to the Latest Practicable Date were located in Hong Kong. Our Group undertook projects in both public and private sectors with over 60% of revenue derived from the private sector during the Track Record Period.

### OUR COMPETITIVE STRENGTHS

(i) **Established E&M engineering company in Hong Kong with proven track record and goodwill**

Our Group was founded in 1987 and has been operating for almost 30 years. During the Track Record Period, our Group has undertaken over 180 projects covering various types of buildings including residential flats, industrial and commercial properties. We have established long business relationship with construction companies. With an initial focus on MVAC system, we have expanded our services to installation of low voltage electrical system and other E&M systems over the years. On top of the years of experience, licenses and registrations are also a key factor of recognition in the market. Our operating entity, Shun Hing HK, is currently registered as a specialist contractor (sub-register of ventilation works) and a minor works contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under “Air-conditioning Installation” (Group II) and “Electrical Installation” (Group II) (on probation) category of works under the WBDB. In view of our long operating history, reputation and proven track record, our Directors believe that we are an established E&M engineering services company in Hong Kong.

(ii) **Long-term relationship with customers, suppliers and subcontractors**

As at Latest Practicable Date, we have established long term relationships with our major customers for a period up to 10 years, suppliers for a period up to 20 years and subcontractors for a period up to 12 years. Maintaining good customer relationships provides more opportunities to tender and also demonstrates the Group’s ability to provide high-quality works within time and budget. In addition, our Group also maintained a good relationship with equipment and material suppliers as well as subcontractors. Our Group is the authorised dealers of one Japanese and three American air-conditioning equipment manufacturers (the “**air-conditioning equipment manufacturers**”).

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## BUSINESS

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Establishing a good relationship with suppliers enables our Group to have more flexibility in negotiating prices, resources allocation and project execution compared with competitors. Maintaining a good relationship with subcontractors will help reduce the risk of shortage or delay in the delivery of contract works, and ensure timely installation works. The Directors consider that partnering with these suppliers and subcontractors is one of the key success factors for us to deliver high quality work to the customers.

### (iii) **Experienced management team**

Our Group's founder, the chairman of our Board and our executive Director, Mr. Yu, has over 29 years of experience in the E&M engineering services industry in Hong Kong. Mr. Lau, the chief executive officer and our executive Director, also possesses extensive experience in E&M engineering services and has been serving our Group for over 20 years. Our Directors and senior management possess substantial experience, industry insight and project management experiences to facilitate the development of our Group's E&M engineering services business. Our Directors believe this has also facilitated our Group to secure tenders over the years as well as provides our Group with cost estimations during the tendering process and thereby reduce situations of cost overrun. For the experience and qualifications of our Directors and senior management, please refer to the section headed "Directors, senior management and employees" in this prospectus.

### (iv) **Commitment to deliver quality works and services with stringent quality, safety and environmental assurance**

We are committed to provide high quality works and services. We have adopted a set of stringent quality assurance measures which comprises of monitoring, verifying and validating the works and materials. Our quality management system was accredited with ISO 9001 certificate by Accredited Certification International Limited ("ACI Limited").

Furthermore, we have also set up an environmental management system to promote awareness of environmental protection and to prevent pollution of the environment resulting to our works. Our environmental management system was accredited by ISO 14001 certification with ACI Limited.

We have set up a comprehensive occupational health and safety management system to promote safe working practices among all employees and to prevent the occurrence of accidents through promoting safety awareness at the front line level. Our occupational health and safety management system has been certified to be in compliance with OHSAS 18001 by ACI Limited.

## **OUR BUSINESS STRATEGIES AND FUTURE PLANS**

We strive to become one of the top E&M engineering companies in Hong Kong. We target to increase our market share for E&M engineering services in the scope of low voltage electrical system, fire services system and plumbing and drainage system. We will also continue to expand our core business segment in MVAC systems.

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## BUSINESS

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(i) **Developing and expanding our E&M engineering services business in the public sector and increasing our competitiveness in the private sector**

We are currently registered as a specialist contractor (sub-register of ventilation works) and a minor works contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under “Air-conditioning Installation” (Group II) and “Electrical Installation” (Group II) (on probation) category of works under the WBDB. Our Group has tendered and undertaken packaged E&M engineering services projects for private sector customers before and during the Track Record Period. Such packaged E&M engineering services projects involve a combination of different works such as installation of MVAC system, low voltage electrical system and other E&M systems including fire services systems and plumbing and drainage system. We would carry out most of the project by ourselves, such as installation of MVAC system, and low voltage electrical system.

Up to the Latest Practicable Date, we had only undertaken plumbing and drainage projects in the private sector and we are desirous of expanding into public sector projects for plumbing and drainage works in the future. In order to enable us to tender for public sector plumbing installations projects after the licensing regime of plumbing installation works by the WBDB which took effect on 25 January 2013, we are required to be registered in the Specialist List under Plumbing Installation (Group II). If we are not registered in the Specialist List under Plumbing Installation (Group II), we would be confined to private sector plumbing installation projects only. As at the Latest Practicable Date, our Group has employed two licensed plumbers, who are licensed under the Waterworks Regulations (Cap. 102A of the Laws of Hong Kong), to carry out drainage works for our public and private drainage projects, and subcontract out other parts of the project such as fire services to subcontractors which have the required licenses. In particular, we had subcontracted all fire services installation works, which contributed aggregate revenue of approximately HK\$2.4 million during the Track Record Period, to subcontractors possessing the required licenses. We believe that we could carry out such fire services installation works on our own at reduced costs if we possess the relevant license for fire services installation.

Shun Hing HK had undertaken two packaged E&M engineering services projects for two private hospitals in Kowloon City and Causeway Bay in 2005 and 2008 respectively, and two E&M engineering services projects for a public hospital in Yau Ma Tei and the extension for a private hospital in Shatin in 2003 and 2005 respectively. The packaged E&M engineering services project in 2005 for the private hospital in Kowloon City carried a total contract sum of approximately HK\$106.6 million, in which plumbing installation, drainage installation and fire services installation amounted to approximately HK\$13.6 million, HK\$5.4 million and HK\$9.4 million respectively; and the package E&M engineering services project in 2008 for the private hospital in Causeway Bay carried a total contract sum of approximately HK\$82.2 million, in which plumbing installation, drainage installation and fire services installation amounted to approximately HK\$22.7 million, HK\$4.2 million and HK\$11.7 million respectively. No revenue was contributed by the above-mentioned hospital projects during the Track Record Period as they were completed prior to the Track Record Period. During the Track Record Period, Shun Hing HK had also undertaken five packaged E&M engineering services

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## BUSINESS

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projects for the private hospital in Kowloon City which carried total contract sum of approximately HK\$22.9 million, in which plumbing installation, drainage installation and fire services installation amounted to approximately HK\$0.9 million, HK\$1.1 million and HK\$3.0 million respectively. Revenue of approximately HK\$11.7 million was recognised for these five projects during the Track Record Period.

In terms of public sector projects, according to the Ipsos Report, the Hong Kong Government has allocated a budget of HK\$200 billion to a ten-year hospital development plan for renovating and constructing new hospital facilities. Under this new budget, around 5,000 additional hospital beds and over 90 new operating theatres are to be provided. Further, the Ipsos Report has also highlighted the potential increase in demand for fire and plumbing and drainage installation works that is likely to be driven by the requirement for a large number of older buildings in Hong Kong to refurbish its fire and plumbing and drainage facilities. For details of the market trend, please refer to the section headed “Industry overview — Future opportunities — The increasing importance of fire, and plumbing and drainage engineering services” in this prospectus.

Therefore, with a view to increasing our capability in handling packaged E&M engineering services projects which involve plumbing and drainage and fire services especially in the area of public works (as a contractor who wishes to tender for and carry out public works in Hong Kong must apply to be admitted to relevant categories of works on the Specialist List or Contractor List maintained by the WBDB), our Directors believe the attainment of relevant qualifications in plumbing and drainage installation and fire services installation would be beneficial to our Group. Leveraging on such past experience with projects for hospitals, our Directors are desirous of increasing our number of public sector projects especially projects for hospitals in the future.

Furthermore, our Group targets to be promoted from Electrical Installation (Group II) (on probation) to Electrical Installation (Group III) in the Specialist List in order to become eligible to tender for larger projects from our current restriction of contract sum of HK\$5.7 million up to unlimited value.

In order to satisfy the eligibility requirements for tendering public sector contracts and larger and more complex private sector projects which require contractors to possess specific qualifications and registrations granted by relevant governmental bodies, our plan to obtain new qualifications and registrations is as follows:

- registration as a Fire Service Installation Contractor in Classes 1&2 granted by the Fire Services Department: we will hire the necessary engineering and technical staff according to the timeframe below, obtain ISO qualifications for fire service installation, complete the required number of projects as job reference and purchase required plant and equipment. We target to obtain the said qualification by 31 March 2018;
- registration as an approved contractor on the Specialist List under Fire Installation (Group II): we will hire the necessary engineering and technical staff according to the timeframe below, complete the required number of projects as job reference and purchase required plant and equipment. We target to obtain the said qualification by 30 September 2019;

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## BUSINESS

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- registration as an approved contractor on the Specialist List under Plumbing Installation (Group II): we will hire the necessary engineering and technical staff according to the timeframe below, obtain ISO qualifications for plumbing work, complete the required number of projects as job reference and purchase required plant and equipment. We target to obtain the said qualification by 30 September 2019; and
- promotion from Electrical Installation (Group II) (on probation) to Electrical Installation (Group III) in the Specialist List: we will hire the necessary engineering and technical staff according to the timeframe below, complete the required number of projects as job reference and purchase required plant and equipment. We target to obtain the said qualification by 30 September 2019.

For details of the registration criteria, please refer to the section headed “Regulatory overview” in this prospectus.

To satisfy the technical and management requirements for attaining such qualifications as set out in the Contractor Management Handbook issued by the Development Bureau, we plan to obtain relevant ISO qualifications as mentioned above (apart from obtaining ISO qualifications for fire service installation, we are also required to obtain Fire Service Installation Contractors in Classes 1&2 status before we can satisfy the technical requirement for registration on the Specialist List under Fire Installation (Group II)), purchase new plant and equipment, increase our headcounts and provide trainings for technical staff. The Company plans to hire three qualified engineers at manager grade who is either a corporate member of the Hong Kong Institution of Engineers with minimum two years of post-qualification experience in Hong Kong or a Registered Professional Engineer with relevant category; four technicians at engineer grade who has a relevant diploma/certificate, higher diploma/higher certificate or degree from relevant universities or technical institutes; ten site supervisors at assistant engineer grade who shall have minimum of two years’ relevant experience in site supervision in Hong Kong; five draftsmen who shall have relevant experience in drawing preparation and use of CAD terminal; four staff holding relevant certificate or license as either plumbers, FS Mechanics or BS Mechanics and six electricians who shall have the relevant certificate.

The following table summarised the timeframe of our recruitment plan for the engineering and technical staff mentioned above:

Position	Number of staff to be hired				Total
	From the Latest Practicable Date to 31 March 2017	From 1 April 2017 to 31 March 2018	From 1 April 2018 to 31 March 2019	From 1 April 2019 to 30 September 2019	
Qualified engineers at manager grade	1	2	—	—	3
Technicians at engineer grade	—	2	2	—	4
Site supervisors at assistant engineer grade	1	3	4	2	10
Draftsmen	1	2	2	—	5
Plumbers, FS mechanics and BS mechanics	—	2	2	—	4
Electricians	1	2	2	1	6

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## BUSINESS

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We are also required to complete a number of projects and thereafter submit job references for inspection and assessment by the relevant government departments. Therefore, it is necessary for us to increase our work capacity to undertake new projects.

We plan to utilise a total of HK\$28.6 millions of our proceeds from the Global Offering for the abovementioned registration and promotion purposes. For details of our implementation plan, please refer to the section headed “Future plans and use of proceeds — Implementation plan” in this prospectus.

**(ii) Increasing our financial capital for new projects**

Certain projects require us to purchase performance guarantee (including surety bond and performance bond). The amount of performance guarantee is approximately 10% of the contract value. During the Track Record Period and up to the Latest Practicable Date, we utilised our internal resources as well as obtained banking facilities which were secured by personal guarantees provided by Mr. Yu and Mr. Lau and/or pledge of their properties (which included two properties owned by Mr. Yu and a property owned by a related company controlled by Mr. Yu) and the leasehold land and buildings owned by the Group to finance our payment of performance guarantee for various projects. The banks generally charge interest or handling fee if we utilise such facilities and during the Track Record Period, approximately HK\$1.3 million of such interest or handling fee had been incurred. As such, our capacity to expand relies on our ability in increasing our capital for the aforementioned performance guarantee requirement for projects. Leveraging on our track record of E&M engineering service projects, we believe that we will be able to secure new projects going forward. We plan to spend a total of HK\$27.9 millions of our proceeds from Global Offering to purchase performance guarantee for 4 awarded projects with aggregate contract value of approximately HK\$307.7 million within two years after the Listing so that we can (i) reduce the interest or handling fee incurred for obtaining banking facilities; and (ii) reduce the reliance to our Directors by releasing the aforementioned personal guarantee and/or pledge of their properties upon the Listing. This will not only allow us to satisfy the performance guarantee requirement without imposing significant pressure on our cash flow, but also allow us to become eligible to tender projects of larger contract value which generally have higher capital requirements prescribed by customers.

**(iii) Enhancing our information technology and human resources management capabilities to improve our overall operational efficiency**

We will continue to focus on improving operation efficiency. As our business scale and scope grows continuously, we plan to install an ERP system to achieve better control of information and records of our financial, human resources, and to manage customers and supplier relationship more efficiently and accurately.

We plan to spend a total of HK\$1.9 millions of our proceeds from Global Offering to install our ERP system within two years after the Listing. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

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## BUSINESS

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### BUSINESS MODEL AND OPERATIONS

#### **E&M engineering services**

E&M engineering services is our principal business. For each of the three years ended 31 March 2016 and the three months ended 30 June 2016, the total revenue derived from E&M engineering services was HK\$330.8 million, HK\$183.8 million, HK\$190.2 million and HK\$45.8 million, respectively. Depending on our customers' needs and requests, we provide integrated E&M engineering services covering supply, installation and maintenance for MVAC system, low voltage electrical system, fire services system, and plumbing and drainage system on a project-to-project basis.

Supply, installation and maintenance for MVAC system is the core service provided by our Group which contributed 96.8%, 93.5%, 98.3% and 98.3% of our revenue for each of the three years ended 31 March 2016 and the three months ended 30 June 2016, respectively. Low voltage electrical system has the second largest contribution to our revenue. We also engage in the supply, installation and maintenance of other E&M system including fire services system, and plumbing and drainage system.

#### ***MVAC system***

MVAC system mainly covers the following functions:

- Mechanical ventilation: regulating the inflow and outflow of air within buildings/spaces by channelling treated air into the building while extracting exhaust air out; and
- Air-conditioning: controlling and maintaining the temperature and humidity of air within buildings/spaces.

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 pipeworks, ductworks, electrical and control works.

#### ***Low voltage electrical system***

Low voltage electrical system monitors and controls, power supply to buildings to ensure other systems can function properly (including but not limited to lighting, MVAC systems and other systems).

Low voltage electrical system normally comprises main power supply, submain distribution system and final circuit system, lighting system, earthing and bonding system, lightning protection system and emergency generator power supply system with system pipeworks, electrical cable and wiring works.



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## BUSINESS

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### *Other E&M systems*

Apart from MVAC system and low voltage electrical system as mentioned above, our Group also engages in the supply, installation and maintenance of the following systems:

- Fire services system, which refers to fire prevention, detection, suppression and extinguishing systems. Fire services system normally comprises a fire services control panel, fire detector and alarm system, sprinkler, fire hydrant and hose reel, smoke control, portable hand operated appliances and gas extinguishing systems, emergency lighting, audio and visual advisory system.
  
- Plumbing and drainage system, the plumbing system of a building provides clean and stable water supply for occupants, including fresh water for drinking, cooking and washing purposes and seawater/fresh water for flushing system, and the functioning of the fire service system. The drainage system of the building provides the removal of waste water and rainwater through the drainage system into the city's sewage system. A typical plumbing and drainage system of a building comprises pipework, valves, pumps and tanks.

During the Track Record Period and as at the Latest Practicable Date, Shun Hing HK is our only entity providing E&M engineering services and is currently registered as a specialist contractor (sub-register of ventilation works) and a minor works contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under “Air-conditioning Installation” (Group II) and “Electrical Installation” (Group II) (on probation) category of works under the WBDB. For details of these qualifications, please refer to the paragraph headed “— Licences, permits and approvals” in this section. For details of our Group's applicable regulatory requirements in relation to these qualifications, please refer to the section headed “Regulatory overview” in this prospectus.

### **Seasonality**

The Directors believe that the industry in which our Group operates does not exhibit any seasonality.

## BUSINESS

### OUR PROJECTS

The following tables set out the details of projects which, either (i) contributed revenue during the Track Record Period; or (ii) contributed revenue during the Track Record Period and will contribute backlog revenue after the Track Record Period:

#### *By types of project and types of E&M engineering services*

	2014		2015		2016		2016		2016		2017		2018		2019	
	Number of projects contributed revenue in the year <sup>(1)</sup>	Revenue recognised in the year HK\$'000	Number of projects contributed revenue in the year <sup>(1)</sup>	Revenue recognised in the year HK\$'000	Number of projects contributed revenue in the year <sup>(1)</sup>	Revenue recognised in the year HK\$'000	Number of projects contributed revenue in the three months ended 30 June	Revenue recognised in the three months HK\$'000	Number of projects contributing backlog revenue in the nine months <sup>(1)</sup>	Backlog revenue to be recognised in the nine months HK\$'000	Number of projects contributing backlog revenue in the year <sup>(1)</sup>	Backlog revenue to be recognised in the year HK\$'000	Number of projects contributing backlog revenue in the year <sup>(1)</sup>	Backlog revenue to be recognised in the year HK\$'000	Number of projects contributing backlog revenue in the year <sup>(1)</sup>	Backlog revenue to be recognised in the year HK\$'000
Residential																
- MVAC system	7	134,418	9	67,516	11	133,634	12	15,183	15	72,987	10	85,060	1	86,093		
- Low voltage electrical system	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
- Other E&M systems	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sub-total	7	134,418	9	67,516	11	133,634	12	15,183	15	72,987	10	85,060	1	86,093		
Non-residential																
- MVAC system	59	185,937	76	104,305	53	53,333	23	29,808	15	161,650	5	134,939	—	—	—	—
- Low voltage electrical system	4	8,878	5	11,809	1	1,998	3	253	—	—	—	—	—	—	—	—
- Other E&M systems	5	1,539	1	158	2	1,277	1	508	—	—	—	—	—	—	—	—
Sub-total	68	196,354	82	116,272	56	56,608	27	30,569	15	161,650	5	134,939	—	—	—	—
Total	75	330,772	91	183,788	67	190,242	39	45,752	30	234,637 <sup>(2)</sup>	15	219,999	1	86,093		

#### Notes:

- Number of projects refer to projects that were awarded to our Group in which contracts, such as letter of award or letter of acceptance of tender, with our customers had already been signed.
- As of 31 October 2016, backlog revenue from projects which contributed revenue during the Track Record Period would be HK\$146.1 million for the year ending 31 March 2017, after deducting an amount of approximately HK\$88.5 million which had already been recognised in the four months ended 31 October 2016 based on the unaudited management account. As at 31 October 2016, backlog revenue from projects which contributed revenue during the Track Record Period would be approximately HK\$452.2 million.

## BUSINESS

By contract value

	For the year ended 31 March						For the three months ended 30 June							
	2014			2015			2016			2016				
	Number of projects with revenue contributed in the year	Revenue recognised in the year	Number of projects with revenue contributed in the year	Revenue recognised in the year	Number of projects with revenue contributed in the year	Revenue recognised in the year	Number of projects with revenue contributed in the three months	Revenue recognised in the three months	Number of projects with revenue contributed in the three months	Revenue recognised in the three months	Number of projects with revenue contributed in the three months	Revenue recognised in the three months		
Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded			
	HK\$ '000	HK\$ '000		HK\$ '000	HK\$ '000	HK\$ '000		HK\$ '000	HK\$ '000		HK\$ '000	HK\$ '000		
HK\$50 million or above	3	144,029	—	3	1	18,627	1,272	—	7	—	7	21,878		
HK\$10 million to below HK\$50 million	12	127,399	37,381	13	4	83,577	51,419	1	13	1	8	12,876		
HK\$5 million to below HK\$10 million	3	1,528	4,133	4	1	9,066	2,521	5	1	18,054	3,791	8,351		
HK\$1 million to below HK\$5 million	7	10,294	2,346	5	8	4,503	8,962	5	1	4,551	2,280	1,327		
Below HK\$1 million	15	29	1,597	2,065	13	39	931	2,910	12	22	1,763	4,169		
<b>Total</b>	40	35	284,847	45,925	38	53	116,704	67,084	42	25	175,047	15,195	2	45,670
	For the nine months ending 31 March						For the year ending 31 March							
	2017			2018			2018			2019				
Number of projects with backlog revenue to be contributed in the nine months	Backlog revenue to be recognised in the nine months	Number of projects with backlog revenue to be contributed in the year	Backlog revenue to be recognised in the year	Number of projects with backlog revenue to be contributed in the year	Backlog revenue to be recognised in the year	Number of projects with backlog revenue to be contributed in the year	Backlog revenue to be recognised in the year	Number of projects with backlog revenue to be contributed in the year	Backlog revenue to be recognised in the year	Number of projects with backlog revenue to be contributed in the year	Backlog revenue to be recognised in the year	Number of projects with backlog revenue to be contributed in the year	Backlog revenue to be recognised in the year	
Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	Awarded in prior years	Newly awarded	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	
HK\$50 million or above	6	—	158,183	—	4	—	207,986	—	1	—	86,093	—		
HK\$10 million to below HK\$50 million	10	—	50,232	—	5	—	6,736	—	—	—	—	—		
HK\$5 million to below HK\$10 million	8	—	20,401	—	4	—	4,374	—	—	—	—	—		
HK\$1 million to below HK\$5 million	4	—	5,775	—	2	—	903	—	—	—	—	—		
Below HK\$1 million	2	—	46	—	—	—	—	—	—	—	—	—		
<b>Total</b>	30	—	234,637	—	15	—	219,999	—	1	—	86,093	—		

## BUSINESS

The following table sets out the five largest projects with the highest revenue contribution to our Group for the year ended 31 March 2014:

Rank	Customer	Sector (Public/ Private)	Type (Residential/ Non-residential)	Date of award	Key scope of work	Amount of	Percentage of
						revenue recognised for the year	total revenue for the year
						<i>HK\$'000</i>	<i>%</i>
1	Customer A	Private	Residential	6 November 2012	MVAC works for proposed residential development at Lung Tin Tsuen, Yuen Long, New Territories	90,075	27.2
2	Penta-Ocean Construction Co., Ltd.	Public	Non-residential	28 September 2012	MVAC works for a university campus at Chung Hau Street, Ho Man Tin, Kowloon	53,920	16.3
3	Kin Shing (Leung's) General Contractors Limited	Private	Non-residential	22 August 2012	MVAC works for a proposed food factory at Tai Po Industrial Estate, Tai Po, New Territories	46,549	14.1
4	Customer E	Private	Residential	28 March 2013	MVAC works for a project at Yuet Wah Street and Hip Wo Street, Kwun Tong, Kowloon	36,836	11.1
5	Customer P	Private	Non-residential	5 July 2012	MVAC works for proposed Composite Development at Dundas Street, Kowloon	24,227	7.3

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

Rank	Customer	Sector (Public/ Private)	Type (Residential/ Non-residential)	Date of award	Key scope of work	Amount of	Percentage of
						revenue recognised for the year	total revenue for the year
						<i>HK\$'000</i>	<i>%</i>
1	Customer F	Private	Residential	28 February 2014	E&M works for proposed residential development at Sha Tin, New Territories	29,539	16.1
2	Customer D	Private	Non-residential	22 July 2014	MVAC works for shopping malls in Kowloon	21,408	11.6
3	Customer D	Private	Non-residential	22 July 2014	MVAC works for shopping malls in Kowloon	21,185	11.5
4	Customer G	Private	Non-residential	6 January 2012	MVAC works for proposed development at Austin Station, Kowloon	17,029	9.3
5	Customer A	Private	Residential	6 November 2012	MVAC works for proposed residential development at Lung Tin Tsuen, Yuen Long, New Territories	11,807	6.4

## BUSINESS

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

Rank	Customer	Sector (Public/ Private)	Type (Residential/ Non-residential)	Date of award	Key scope of work	Amount of revenue recognised for the year	Percentage of total revenue for the year
						HK\$'000	%
1	Customer I	Private	Residential	7 August 2014	MVAC works for a project in Tseung Kwan O, New Territories	54,654	28.7
2	Customer F	Private	Residential	30 July 2014	MVAC works for proposed residential and commercial development in Tseung Kwan O, New Territories	33,071	17.4
3	Customer J	Public	Residential	13 June 2013	MVAC works for Flat-For-Flat Development in Kai Tak, Kowloon	18,562	9.8
4	Customer F	Private	Residential	28 February 2014	E&M works for proposed residential development at Sha Tin, New Territories	11,794	6.2
5	Customer K	Private	Non-residential	29 December 2014	MVAC works for an office at Hankow Road, Tsim Sha Tsui, Kowloon	11,240	5.9

The following table sets out the five largest projects with highest revenue contribution to our Group for the three months ended 30 June 2016:

Rank	Customer	Sector (Public/ Private)	Type (Residential/ Non-residential)	Date of award	Key scope of work	Amount of revenue recognised for the three months	Percentage of total revenue for the three months
						HK\$'000	%
1	Customer N	Private	Non-residential	4 July 2014	MVAC works for a remodelling project at Salisbury Road, Tsim Sha Tsui, Kowloon	5,903	12.9
2	Customer I	Private	Residential	7 August 2014	MVAC works for a project in Tseung Kwan O, New Territories	5,878	12.8
3	Customer L	Public	Non-residential	12 August 2015	MVAC works for a building at the Hong Kong International Airport, Lantau	5,648	12.3
4	Customer M	Private	Non-residential	30 March 2015	MVAC works for proposed commercial development at Wai Yip Street, Kwun Tong, Kowloon	5,229	11.4
5	Customer O	Public	Non-residential	25 February 2016	MVAC works for buildings in a university campus at Sha Tin, New Territories	2,590	5.7

## BUSINESS

The following tables set out the details of projects which will only contribute backlog revenue after the Track Record Period:

*By types of projects and types of E&M engineering services*

	For the nine months ending 31 March		For the year ending 31 March		2019	
	2017		2018		2019	
	Number of projects contributing backlog revenue in the nine months	Backlog revenue to be recognised in the nine months	Number of projects contributing backlog revenue in the year	Backlog revenue to be recognised in the year	Number of projects contributing backlog revenue in the year	Backlog revenue to be recognised in the year
		HK\$'000		HK\$'000		HK\$'000
Residential						
- MVAC system	4	5,841	4	139,761	2	9,116
- Low voltage electrical system	—	—	—	—	—	—
- Other E&M systems	—	—	—	—	—	—
Sub-total	4	5,841	4	139,761	2	9,116
Non-residential						
- MVAC system	10	895	—	—	—	—
- Low voltage electrical system	1	58	—	—	—	—
- Other E&M systems	—	—	—	—	—	—
Sub-total	11	953	—	—	—	—
Total	15	6,794 <sup>(Note)</sup>	4	139,761	2	9,116

*Note:*

As of 31 October 2016, backlog revenue from projects which will only contribute revenue after the Track Record Period would be HK\$6.0 million for the year ending 31 March 2017, after deducting an amount of approximately HK\$0.8 million which had already been recognised in the four months ended 31 October 2016 based on the unaudited management account. As at 31 October 2016, backlog revenue from projects which will only contribute revenue after the Track Record Period would be approximately HK\$154.9 million.

## BUSINESS

### By contract value

	For the nine months ending 31 March 2017						For the year ending 31 March 2018						For the year ending 31 March 2019					
	Number of projects with backlog revenue to be recognised in the nine months			Backlog revenue to be recognised in the nine months			Number of projects with backlog revenue to be recognised in the year			Backlog revenue to be recognised in the year			Number of projects with backlog revenue to be recognised in the year			Backlog revenue to be recognised in the year		
	<i>Awarded in prior years</i>	<i>Newly awarded</i>	<i>1</i>	<i>Awarded in prior years</i>	<i>Newly awarded</i>	<i>HK\$'000</i>	<i>Awarded in prior years</i>	<i>Newly awarded</i>	<i>HK\$'000</i>	<i>Awarded in prior years</i>	<i>Newly awarded</i>	<i>HK\$'000</i>	<i>Awarded in prior years</i>	<i>Newly awarded</i>	<i>HK\$'000</i>	<i>Awarded in prior years</i>	<i>Newly awarded</i>	<i>HK\$'000</i>
HK\$50 million or above	1	1	1,593	1,110	—	—	2	—	116,979	—	—	1	—	—	7,398	—	—	—
HK\$10 million to below HK\$50 million	—	1	—	3,138	—	—	2	—	22,782	—	—	1	—	—	1,718	—	—	—
HK\$5 million to below HK\$10 million	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
HK\$1 million to below HK\$5 million	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Below HK\$1 million	6	6	266	687	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	7	8	1,859	4,935	—	—	4	—	139,761	—	—	2	—	—	9,116	—	—	—

## BUSINESS

The following table summarises details of five largest projects in progress as at 30 June 2016, with highest backlog revenue to be recognised after the Track Record Period:

Rank	Customer	Sector (Public/ Private)	Type (Residential/ Non-residential)	Date of award	Key scope of work	Amount of	Amount of
						revenue recognised during the Track Record Period	backlog revenue to be recognised after the Track Record Period
						<i>HK\$'000</i>	<i>HK\$'000</i>
1	Customer M	Private	Residential	25 February 2016	MVAC works for a property development at Tseung Kwan O, New Territories	1,462	160,977
2	Customer N	Private	Non-residential	4 July 2014	MVAC works for a remodelling project at Salisbury Road, Tsim Sha Tsui, Kowloon	13,778	153,032
3	Customer M	Private	Non-residential	30 March 2015	MVAC works for proposed commercial development at Wai Yip Street, Kwun Tong, Kowloon	5,271	89,209
4	Customer F	Private	Residential	2 June 2016	MVAC works for a proposed property development at Kai Tak, Kowloon	—	73,980
5	Customer Q	Private	Residential	11 March 2016	MVAC works for a property development at Tseung Kwan O, New Territories	—	53,100

### Recent contracts awarded

Subsequent to 31 March 2016 and up to the Latest Practicable Date, our Group had been awarded with ten new contracts with an aggregate contract value of approximately HK\$85.5 million:

	<u>No. of projects</u>	<u>Aggregate contract value</u>
<i>HK\$'million</i>		
MVAC System	8	85.4
Low voltage electrical system	2	0.1



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## BUSINESS

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### Residential and non-residential projects

During the Track Record Period and up to the Latest Practicable Date, our Group has engaged in both residential projects and non-residential projects. Residential projects involve residential flats, while non-residential projects involve offices, hotels, hospitals, shopping malls, and educational institutions in Hong Kong.

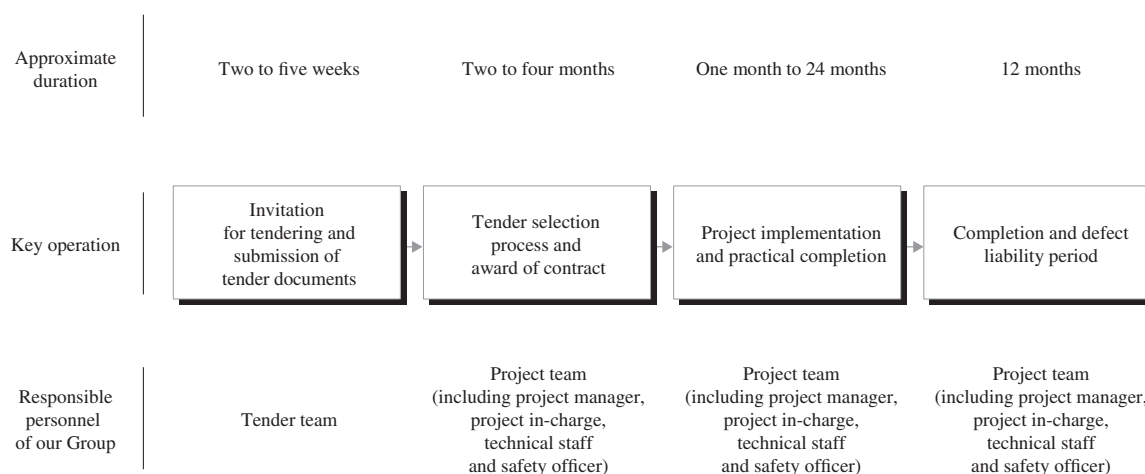
According to the Ipsos Report, from 2011 to 2015, the number of private residential housing units completed and the number of public rental housing units provided by the Housing Authority in Hong Kong grew at CAGR of 4.5% and 8.5%, respectively. The Hong Kong Government has launched various initiatives such as the plan set out in 2016 Policy Address to boost housing supply in both public and private sectors in recent years. For details of the Hong Kong Government’s initiatives, please refer to the section headed “Industry overview” in this prospectus. Thereby, our Group took advantage of and capture the business opportunities arising from the aforementioned growth in the number of residential properties. For details of the revenue and gross profits contributed by our residential and non-residential projects undertaken during the Track Record Period, please refer to the paragraph headed “— Overview” in this section.

With a view to efficiently allocate our project capacity and optimise the use of our profits going forward, our Group shall continue to keep close track of the market trends in both residential and non-residential projects.

For further details of our gross profit and gross profit margin generated from residential projects and non-residential projects respectively, please refer to the section headed “Financial information — Description of selected components of consolidated income statement — Gross profit” in this prospectus.

### OPERATIONAL WORKFLOW

For illustration purposes, a simplified workflow diagram of our typical E&M engineering operations is outlined as follows:



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## BUSINESS

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### **Invitation for tendering**

From time to time, we receive invitations or expression of interest from potential customers about new project tendering. We are mainly a subcontractor. In most cases, we act as nominated subcontractor, under which we will be directly engaged by our customers and responsible for liaising with the main contractor as well as other subcontractors subsequently engaged. We may also act as domestic subcontractor as engaged by other main contractors. In other cases, we enter into direct contract as main contractor with our customers.

Once we confirm our interest in submitting a tender, the potential customer will send us a tender invitation letter, which will request us to provide further information including, among others, project information, estimated project size, required contract commencement and completion date.

Before we formally submit our tender, we may have a chance to conduct site visit if needed. We will then prepare for our tender submission. Our tender team will be responsible for the tender submission and the bidding process. Our tender submission will usually include, among others, form of tender with tender price and schedule of rates, equipment schedule, tentative programs and project organisation chart with resume of project staff. Our tender team will obtain preliminary quotation for equipment and materials from potential subcontractors and suppliers in respect of the engineering design at this stage in order to ascertain the costs expected to be incurred in purchasing such equipment and materials when we prepare the tender documents. All of our subcontractors go through stringent selection procedures from our Group to ensure that the products they provide meet the specification requirements of our customers. We also take into account of the manageability and profitability of such projects with reference to our resources, capacity and capability. We strive to maintain a balance between making a competitive bidding price against our competitors and maintaining a reasonable profit margin for each project. For the three years ended 31 March 2016 and the three months ended 30 June 2016, our total revenue were approximately HK\$330.8 million, HK\$183.8 million, HK\$190.2 million and HK\$45.8 million respectively.

We may sometimes be invited to provide a quotation for a potential project from a customer directly. If we are interested to proceed with the project, our tender team will prepare the quotation documents. The steps for preparing the quotation documents are same as the ones as mentioned in the paragraph above regarding tender submission.

In general, it takes approximately two to five weeks for us to prepare and submit the tender.

### **Tender selection process and award of contract**

After our submission of tender, we will be interviewed by the potential customers. The tender submission documents and post-tender correspondence (e.g. schedule of rates, technical queries and replies, final price offer if applicable) would form part of the contract between the respective customer and us.

There is generally a time lag between our submission of tender documents and the award of certain project as the customer needs time to decide which company will be awarded with the project. In general, it takes approximately two to four months for the tender selection process.

## BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we have submitted tenders in respect of 35 E&M engineering services projects (with contract value over HK\$50 million) with total tender sum of HK\$3,567.5 million and have been awarded seven E&M engineering service projects (with contract value over HK\$50 million) with total contract value of HK\$555.6 million.

### Tendering strategy

During the Track Record Period and up to the Latest Practicable Date, we have received invitations for tenders for various types of E&M engineering services in public/private sectors and residential/non-residential projects for a spectrum of contract value. In deciding whether to proceed with specific tenders or not, we have to evaluate the manageability and profitability of such projects with reference to our resources, capacity and capability.

To maintain stability and profitability of our business operations, we tender a mixture of projects covering different project sizes and project types. Upon our tender submission, it would be subject to customers' decision as to whether we are awarded with the projects.

The following tables set out our number of tender submission and success rate of tendering by types of project and types of E&M engineering services and by range of contract value during the Track Record Period.

	For the year ended 31 March						For the three months ended 30 June	
	2014		2015		2016		2016	
	No. of tender submission	Success rate (%) <sup>(Note)</sup>	No. of tender submission	Success rate (%) <sup>(Note)</sup>	No. of tender submission	Success rate (%) <sup>(Note)</sup>	No. of tender submission	Success rate (%) <sup>(Note)</sup>
Residential								
- MVAC system	19	21.1	15	33.3	27	25.9	6	0.0
- Low voltage electrical system	1	0.0	—	—	4	0.0	—	—
- Other E&M systems	—	—	—	—	—	—	—	—
Total	20	20.0	15	33.3	31	22.6	6	0.0
Non-residential								
- MVAC system	338	12.4	490	11.4	396	7.6	84	3.6
- Low voltage electrical system	10	20.0	8	0.0	13	7.7	8	0.0
- Other E&M systems	2	0.0	1	100.0	2	0.0	1	100.0
Total	350	12.6	499	11.4	411	7.5	93	4.3

*Note:* According to the Ipsos Report, there is no industry standard in relation to the success rate of tendering in the Hong Kong construction industry.

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## BUSINESS

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	For the year ended 31 March						For the three months ended 30 June	
	2014		2015		2016		2016	
	Number of tender submission	Success rate (%)	Number of tender submission	Success rate (%)	Number of tender submission	Success rate (%)	No. of tender submission	Success rate (%)
HK\$50 million or above	6	16.7	10	30.0	14	21.4	2	0.0
HK\$10 million to below HK\$50 million	31	12.9	20	25.0	29	17.2	12	0.0
HK\$5 million to below HK\$10 million	10	20.0	15	33.3	21	14.3	2	0.0
HK\$1 million to below HK\$5 million	25	12.0	116	6.0	39	5.1	4	0.0
Below HK\$1 million	298	12.8	353	11.9	339	7.4	79	5.1
<b>Total</b>	<u>370</u>	<u>13.0</u>	<u>514</u>	<u>12.1</u>	<u>442</u>	<u>8.6</u>	<u>99</u>	<u>4.0</u>

As set out in the paragraph headed “— Our projects — Residential and non-residential projects” in this section, we have been able to capture opportunities arising from the growth in residential property supply in recent years by undertaking more residential projects during the Track Record Period. Going forward, our management will closely monitor the market trends and optimise our tendering strategy from time to time so that our capacity and resources can be efficiently allocated to projects which are commercially beneficial to us.

For further details of our pricing strategies, please refer to the paragraph headed “— Customers — Pricing strategies” in this section.

### **Project implementation**

If we are awarded a contract, a letter of award or letter of acceptance will be issued by the customers. Upon signing of the letter of award or letter of acceptance, we will commence project operation. The customers will sign a formal contract with us subsequently.

We will assign a project team to each project once we are awarded a contract. A project team will usually comprise a project manager, a project in-charge and a certain number of technical staff depending on the specific requirements imposed by the customers. The project manager is responsible

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## BUSINESS

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for overall management and supervision of the project and will be leading in chief to liaise with respective customers. The rest of the project team is responsible for project execution which include arranging subcontractors and suppliers, sourcing of equipment and materials, and performing relevant tasks as required in the contracts.

In the beginning of the project implementation stage, our project team will prepare a budget, also known as a cost sheet, stating the estimated costs to be incurred. We will record the actual costs incurred in our accounting system. The project manager will carry out cost analysis and make comparisons to actual costs incurred with the budget.

According to the contract requirement if necessary, we will take out all the relevant insurance and bond for the project. Please refer to the paragraph headed “— Insurance” in this section for further details.

The project team will submit a project plan to the project E&M consultant who monitors the project from the customer’s side for approval. The project plan normally contains project organisation chart with resume of key staff, preliminary installation program, equipment and material submission schedule, sample submission schedule and drawing submission schedule, which indicate all the works to be completed in accordance with the work plan and the programme as contained in the tender documents.

We may engage subcontractors in assisting to complete the certain tasks as required in the contracts with our customers. These tasks include engineering works for MVAC system installation, low voltage electrical system installation and other E&M systems installation. We maintain an approved list of subcontractors, for each category of E&M engineering services subcontract works. We perform reviews on subcontractor performance and updates from time to time. Please refer to the paragraph headed “— Subcontractors” in this section for details of our arrangements with these subcontractors.

We purchase major equipment and materials from our suppliers for the provision of our services. Before we place purchase orders, we will arrange to obtain the quotations previously provided from our suppliers and we may obtain price reduction for the products to be purchased from them. The suppliers usually deliver equipment and materials to the work sites directly or may arrange to ship equipment and materials, such as air-conditioners and chillers to container terminals in Hong Kong and our Company will deliver such equipment and materials to the work sites. We store these equipment and materials at the work site, subject to the storage area available to avoid disruption. Our subcontractors provide certain minor materials and components, such as tiny metal and spare parts, with the costs included in their subcontracting charges. To ensure the quality of the equipment and materials sourced by both the subcontractors and us, our engineers are responsible for conducting quality control on materials used in its projects.

We may not commence site works immediately after we are awarded with a project. The customer will issue a master programme setting out implementation period and order of the stages of the project. We will commence site work in accordance with such master programme, usually five to six months

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## BUSINESS

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after we were awarded with the project. We will utilise the time period between awarding of project and commencement of site works for preparations such as preparing budget and project plan, conducting site inspection, making arrangements with and supervising our subcontractors and suppliers and sourcing of equipment and materials.

During the implementation stage, the project manager will conduct site inspection from time to time to inspect the work progress and work quality. We will assign a designated project team member to supervise our subcontractors in order to ensure that all works performed are up to standard as required in the relevant contract. The subcontractors are required to report to us on a regular basis. Our Directors, senior management, project team managers and other project team members will have regular meetings to update on the project progress and discuss major issues.

Apart from our project manager, our customers would assign representatives in supervising the implementation of the whole project and monitor the work progress. The project team and the customers would have site progress meeting regularly to report and follow up on relevant issues involved.

Based on the amount of work completed, we make interim payment applications to our customers which set out the amount and value of work done on a monthly basis.

For details of the progress payments and retention money arrangement with our subcontractors and customers, please refer to the paragraphs headed “— Subcontractors — Key contract terms with our subcontractors” and “— Customers — Key contract terms with our customers” in this section respectively.

In some cases, customers may have modifications on the respective contractual terms including the scope of works, completion date and pricing. We may agree with our customers to carry out those works in title of variation orders with time and cost implication. We may prepare a quotation according to each variation order but the quoted sum is tentative only which shall be further evaluated and confirmed by the customer.

Once the contract installation works are completed, we will perform relevant system testing and prepare a report for customers’ acceptance together with corresponding operating and maintenance manual and as-fitted drawings.

In general, it takes approximately one month to 24 months to complete a project.

### **Completion and defect liability period**

In some cases, our customer will issue a practical completion certificate once the contract has been completed upon our customer’s satisfaction. The performance guarantee, if any, together with part of the retention money will be released upon issuance of the practical completion certificate. If there is any delay in completion, the customer can claim liquidated damages in accordance with the agreed daily calculation as stipulated under the contract. However, if the delay is caused by factors that are beyond our control, an extension of time may be negotiated with the customer. Whenever a delay is expected regarding certain stage of the project, the main contractor will issue a notification

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## BUSINESS

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of delay to the customer, setting out information regarding the reason for delay such as change in design, extreme weather conditions, additional work to be undertaken and time implications on the project. After the completion of project, all the notifications of delay will be sent to the architect of the customer for assessment to determine the number of days extended and then to determine whether any liquidated damages will be payable to the customer. During the Track Record Period and up to the Latest Practicable Date, our Group had no record of payment of any liquidated damages to our customers.

After the practical completion, the defect liability period is generally one year. During this period, we are required to make good any defect in the systems we provide and install and other defective works at our own costs. The remaining of the retention money will be released after this defect liability period, usually within 14 days after the customer issues a certificate of completion of making good defects for the whole project. In general, we will impose a back-to-back defect liability period to our subcontractors.

### **MAJOR ASSET AND EQUIPMENT**

We do not require any specific asset and equipment in carrying out our daily operation and hence we have not purchased any major asset and equipment.

### **SUPPLIERS**

We source air-conditioning equipment together with other accessories, equipment and materials from our suppliers. As at the Latest Practicable Date, we have entered into non-exclusive dealership arrangements with the air-conditioning equipment manufacturers including one Japanese brand and three American brands. For details of these dealership arrangements, please refer to the paragraph headed “— Key terms of our dealership agreements” in this section. Subsequent to our entering of the respective dealership arrangements, we have then sourced directly air-conditioning equipment from these four air-conditioning equipment manufacturers.

We work with our suppliers and manufacturers to plan ahead for its purchase and delivery of products to enable that it has sufficient stock to fulfil the current orders. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any substantial delay or shortage in the supply of products.

### **Key terms of our dealership agreements**

We typically enter into one-year non-exclusive dealership agreements with air-conditioning equipment manufacturers and may renew dealership agreements upon the expiration of these dealership agreements. Our Group is only allowed to sell the products within the designated territories as specified in the respective dealership agreement.

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## BUSINESS

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Our dealership agreements with the air-conditioning equipment manufacturers generally includes the following key terms:

<b>Key terms</b>	<b>Description</b>
Nature and duration:	Non-exclusive in nature, typically has a one-year term and subject to renewal upon expiration
Products:	Air-conditioning equipment and other relevant equipment
Designated territories:	We are not allowed to sell the products outside of the designated territories as specified in the respective dealership agreement
Credit period, credit limit and payment:	Typically, the credit period, the credit limit and the payment terms are agreed from time to time between the respective air-conditioning equipment manufacturer and the Company
No Assignment:	We are not allowed to assign the benefits in the respective dealership agreement to any other party without prior written consent of the respective air-conditioning equipment manufacturer
Termination:	The respective air-conditioning equipment manufacturer is entitled to terminate the respective dealership agreement with us if (i) the management or ownership of our Company passes to persons or companies whom the respective air-conditioning equipment manufacturers in their absolute discretion regard as unsuitable; (ii) we fail to perform our duties under the respective dealership agreement; or (iii) we violate applicable laws and regulations in performing our duties under the respective dealership agreement; or (iv) we enter into liquidation whether compulsorily or voluntarily or otherwise for the purposes of restructuring



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## BUSINESS

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The following table sets forth basic information of our five largest suppliers during the Track Record Period:

*Five largest suppliers for the year ended 31 March 2014*

Rank	Supplier	Materials provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Supplier A <sup>(Note)</sup>	Supply of air-conditioning equipment	Over 17 years	39,386	14.5
2	Supplier B	Supply of ventilation equipment	Over 10 years	6,166	2.3
3	Supplier C <sup>(Note)</sup>	Supply of air-conditioning equipment	Over 10 years	4,436	1.6
4	Supplier D	Supply of electrical switchboard	Over 2 years	3,216	1.2
5	Supplier E	Supply of MVAC control equipment and accessories	Over 10 years	3,208	1.2
<b>Total:</b>				<u>56,412</u>	<u>20.8</u>

*Note:* We have entered into dealership arrangements with these suppliers.

*Five largest suppliers for the year ended 31 March 2015*

Rank	Supplier	Materials provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Supplier A <sup>(Note)</sup>	Supply of air-conditioning equipment	Over 17 years	24,952	14.4
2	Supplier F	Supply of electrical switchboard	Over 10 years	3,698	2.1
3	Supplier G	Supply of MVAC control equipment and accessories	Over 11 years	3,411	2.0
4	Supplier H	Supply of air-conditioning equipment	Over 9 years	2,909	1.7
5	Supplier I	Supply of electrical cable and accessories	Over 3 years	2,643	1.5
<b>Total:</b>				<u>37,613</u>	<u>21.7</u>

*Note:* We have entered into dealership arrangements with these suppliers.

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## BUSINESS

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*Five largest suppliers for the year ended 31 March 2016*

Rank	Supplier	Materials provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Supplier A <sup>(Note)</sup>	Supply of air-conditioning equipment	Over 17 years	18,413	13.3
2	Supplier J	Supply of ventilation equipment	Over 2 years	1,738	1.3
3	Supplier K	Supply of air-conditioning equipment	Over 3 years	1,640	1.2
4	Supplier L	Supply of air-conditioning equipment	Over 1 year	1,036	0.7
5	Supplier M <sup>(Note)</sup>	Supply of air-conditioning equipment and MVAC control equipment and accessories	Over 20 years	849	0.6
<b>Total:</b>				<u>23,676</u>	<u>17.1</u>

*Note:* We have entered into dealership arrangements with these suppliers.

*Five largest suppliers for the three months ended 30 June 2016*

Rank	Supplier	Materials provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Supplier A <sup>(Note)</sup>	Supply of air-conditioning equipment	Over 17 years	1,611	3.6
2	Supplier N	Supply of air-conditioning equipment	Less than 1 year	1,138	2.6
3	Supplier O	Supply of air-conditioning equipment	Over 7 years	812	1.8
4	Supplier M <sup>(Note)</sup>	Supply of air-conditioning equipment and MVAC control equipment and accessories	Over 20 years	804	1.8
5	Supplier P	Supply of air-conditioning equipment	Over 7 years	376	0.8
<b>Total:</b>				<u>4,741</u>	<u>10.6</u>

*Note:* We have entered into dealership arrangements with these suppliers.

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## BUSINESS

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Our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our five largest suppliers during the Track Record Period. Further, our suppliers engaged by us are not our major customers, nor vice versa.

### SUBCONTRACTORS

We engage subcontractors to carry out works including installation of MVAC systems, low voltage electrical system and other E&M systems on a project by project basis. We have not entered into any long term agreement with our subcontractors during the same period.

The following table sets forth the basic information of our five largest subcontractors during the Track Record Period:

*Five largest subcontractors for the year ended 31 March 2014*

Rank	Subcontractor	Services provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs	Approximate % of our total actual costs
				<i>(HK\$'000)</i>	
1	Subcontractor A	Installation of water pipeworks and copper pipeworks	Over 9 years	21,689	8.0
2	Subcontractor B	Installation of air ductworks	Over 9 years	19,100	7.0
3	Subcontractor C	Installation of E&M system	Over 8 years	16,617	6.1
4	Subcontractor D	Installation of air ductworks	Over 12 years	11,449	4.2
5	Subcontractor E	Installation of split air conditioner	Over 9 years	10,362	3.8
			<b>Total:</b>	<u>79,217</u>	<u>29.1</u>

## BUSINESS

### *Five largest subcontractors for the year ended 31 March 2015*

Rank	Subcontractor	Services provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Subcontractor F	Installation of E&M system	Over 1 year	8,517	4.9
2	Subcontractor A	Installation of water pipeworks and copper pipeworks	Over 9 years	7,136	4.1
3	Subcontractor B	Installation of air ductworks	Over 9 years	6,980	4.0
4	Subcontractor G	Electrical Installation	Over 2 years	5,907	3.4
5	Subcontractor D	Installation of air ductworks	Over 12 years	5,469	3.2
<b>Total:</b>				<u>34,009</u>	<u>19.6</u>

### *Five largest subcontractors for the year ended 31 March 2016*

Rank	Subcontractor	Services provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Subcontractor H	Installation of E&M system	Over 1 year	11,971	8.7
2	Subcontractor E	Installation of split air conditioner	Over 9 years	9,129	6.6
3	Subcontractor F	Installation of E&M system	Over 1 year	8,116	5.9
4	Subcontractor D	Installation of air ductworks	Over 12 years	7,524	5.4
5	Subcontractor I	Installation of split air conditioner	Over 6 years	6,175	4.5
<b>Total:</b>				<u>42,915</u>	<u>31.1</u>

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## BUSINESS

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*Five largest subcontractors for the three months ended 30 June 2016*

Rank	Subcontractor	Services provided	Years of business relationship with our Group as at the Latest Practicable Date	Actual costs <i>(HK\$'000)</i>	Approximate % of our total actual costs
1	Subcontractor F	Installation of E&M system	Over 1 year	8,412	18.9
2	Subcontractor J	Installation of water pipeworks	Less than 1 year	2,497	5.6
3	Subcontractor K	Installation of E&M system	Over 2 years	1,648	3.7
4	Subcontractor I	Installation of split air conditioner	Over 6 years	1,558	3.5
5	Subcontractor A	Installation of water pipeworks and cooper pipeworks	Over 9 years	1,557	3.5
<b>Total:</b>				<u>15,672</u>	<u>35.2</u>

We have a stringent process in selecting our subcontractors for our work. We have an internal approved list of subcontractors for quotation for each type of work. We take into account of factors including, among others, assessment of their abilities and our previous work experience with them. For each project, we invite several subcontractors in this list for quotation. Our project team is responsible for selecting the most suitable candidate(s).

During the Track Record Period, we have not experienced any material difficulties or delays in completing our project due to failure to identify and engage suitable subcontractors. In addition, our Directors confirm that we did not have any material disputes with our subcontractors during the same period.

Our five largest subcontractors during the Track Record Period were Independent Third Parties. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our five largest subcontractors during the Track Record Period. Further, our subcontractors engaged by us are not our major customers, nor vice versa.

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## BUSINESS

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### Key contract terms with our subcontractors

The major contract terms with our subcontractors are summarised as follow:

Key terms	Description
Project information	Premise location, work scope, duration, contract value
Schedule of rates	Breakdown of the contract value itemising the works and quantities, and their respective price rate
Payment terms	We do not pay any sums as prepayments to our subcontractors. Progress payments will be paid to our subcontractors according to the contract terms. Our subcontractors will submit a statement specifying the estimated work completion together with a payment application to us from time to time. Customer's representatives will then issue an interim certificate to certify the work that had been carried out. We will arrange for payment to our subcontractors within 14 days after we receive payment from the customer or main contractor regarding the work that had been carried out. Subcontractors will then receive payment based on the certified amount less the retention money within 30 days from the issuance of the interim certificate
Defect liability period	Our subcontractors are required to make good any defects at their own cost within this period, which is generally 12 months from issuance of the final completion certificate
Retention money	In general, we withhold 10% of the certified amount specified in our interim certificates as retention money until the total retained sum reaches 5% of the total contract value, being the maximum amount to be retained for each project. Retention money will be released to the subcontractor upon issuance of certificate of completion of making good defects
Termination	We are entitled to terminate the contracts with our subcontractors if they (i) fail to perform any part of the contract or the work; (ii) become bankrupt or subject to winding up order; (iii) fail to pay their employees or suppliers; or (iv) subcontract work to third parties without our consent.

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## BUSINESS

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### **Inventory Management**

It is the practice of our E&M engineering operation not to keep any inventory. We place separate orders to our subcontractors depending on requirements of each project and all equipment and materials are delivered and stored at the relevant work sites. The site supervisor is responsible for the overall scheduling of orders and deliveries of the materials, so as to match material deliveries with the project's requirements. Purchase orders issued to suppliers would indicate the different tentative delivery dates that match with the project schedule.

### **SALES AND MARKETING**

During the Track Record Period, our projects were mainly awarded by tender. We strategically focus on managing business relationship with our existing customers and will gradually expand our market share in the industry. For details, please refer to the paragraph headed “— our competitive strengths” in this section. Our Group has not engaged in any marketing and advertising activities during the Track Record Period.

Our Directors believe that we have established relationship with a number of construction companies in Hong Kong. We believe that we achieve this by completing projects with high quality, which enable us to become one of the qualified service providers of our customers. In addition, we have been in the industry for almost 30 years and our Directors believe that we have built up a good reputation and proven track record in the industry.

Our Directors are responsible for maintaining our relationship with our customers. We believe our Listing will also enhance our reputation in Hong Kong.

### **MARKET AND COMPETITION**

Our Directors consider that the level of demand for our Group's E&M engineering services depends on the investment in residential, commercial and industrial buildings, and public facilities in Hong Kong. One of the important driving forces is the Hong Kong Government's initiative to increase land supply and affordable housings, thus subsequently increase the demand for E&M engineering services. According to the Hong Kong Government's 2016 Policy Address, the Housing Authority and the Hong Kong Housing Society will build about 97,100 public housing units over the next five years. In addition, a total of 16 residential sites were sold or will be put up for sale under the Land Sale Programme in 2015-2016 and the projected supply from the first-hand residential property market for the coming three to four years is approximately 87,000 units. Therefore the expected growth of housing supply will support the building construction industry as well as E&M engineering services industry in Hong Kong. With our vast experience in carrying out E&M engineering services for residential projects, our Group is therefore expected to benefit from the Hong Kong Government's policy to increase housing supply by undertaking both public and private works involving E&M engineering services in the future. For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed “Industry overview” in this prospectus.

## BUSINESS

### CUSTOMERS

During the Track Record Period, over 90% of our projects are supply, installation and maintenance of MVAC system for residential flats, offices, hotels, hospitals, shopping malls and educational institutions in Hong Kong. Our customers include construction companies, a private hospital, a real estate investment trust, and government department.

The following table sets forth basic information of our five largest customers during the Track Record Period:

#### *Five largest customers for the year ended 31 March 2014*

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed	Approximate % of our total revenue
1	Customer A	A construction contractor principally carrying on construction and civil engineering business which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$48.5 billion as at the Latest Practicable Date embracing a range of businesses in Hong Kong, PRC and Macau	1961	Hong Kong	Over 5 years	96,982	29.3
(HK\$'000)							
2	Penta-Ocean Construction Co., Ltd.	A construction contractor listed in Japan with a market capitalisation over JPY162.2 billion as at the Latest Practicable Date which principally carrying on land civil works and building construction business with speciality in marine works and land reclamation	1984	Hong Kong, with headquarters in Japan	Over 8 years	55,194	16.7



## BUSINESS

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed (HK\$'000)	Approximate % of our total revenue
3	Kin Shing (Leung's) General Contractors Limited	A construction contractor principally carrying on construction and civil engineering business which is a subsidiary of a company listed on the Main Board of the Stock Exchange in Hong Kong with a market capitalisation over HK\$9.4 billion as at the Latest Practicable Date specialising in professional fitting-out works for residential property and hotel projects	1994	Hong Kong	Over 4 years	46,549	14.1
4	Customer D	An asset management company which is a subsidiary of a real estate investment trust listed on the Main Board of the Stock Exchange in Hong Kong with a market capitalisation over HK\$19.6 billion as at the Latest Practicable Date and with a diversified portfolio that consists of retail facilities, fresh markets, car parks and offices across Hong Kong, Beijing and Shanghai	2004	Hong Kong	Over 6 years	42,031	12.7
5	Customer E	A construction contractor which is a subsidiary of a company listed on the Main Board of the Stock Exchange in Hong Kong with a market capitalisation over HK\$1.7 billion as at the Latest Practicable Date with business activities covering civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and investment and professional services	1980	Hong Kong	Over 3 years	36,836	11.1
<b>Total:</b>						<u>277,592</u>	<u>83.9</u>

*Five largest customers for the year ended 31 March 2015*

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed (HK\$'000)	Approximate % of our total revenue
1	Customer D	An asset management company which is a subsidiary of a real estate investment trust listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$119.6 billion as at the Latest Practicable Date and with a diversified portfolio that consists of retail facilities, fresh markets, car parks and offices across Hong Kong, Beijing and Shanghai	2004	Hong Kong	Over 6 years	42,846	23.3
2	Customer F	A construction contractor which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$2.9 billion as at the Latest Practicable Date acting as a main contractor in residential and commercial property projects	1995	Hong Kong	Over 6 years	29,720	16.2
3	Customer A	A construction contractor principally carrying on construction and civil engineering business which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$48.5 billion as at the Latest Practicable Date embracing a range of business in Hong Kong, PRC and Macau	1961	Hong Kong	Over 5 years	18,251	9.9

**BUSINESS**

## BUSINESS

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed (HK\$'000)	Approximate % of our total revenue
4	Customer G	A construction contractor principally carrying on building construction and project management business which is a subsidiary of a company listed on the Main Board of the Stock Exchange in Hong Kong with a market capitalisation over HK\$51.8 billion as at the Latest Practicable Date with business activities in Hong Kong, PRC and Macau	1988	Hong Kong	Over 9 years	17,029	9.3
5	Customer H	A private catholic hospital in Hong Kong offering a wide range of specialisations, and a member of Hong Kong Private Hospitals Association	1997	Hong Kong	Over 10 years	11,791	6.4
	<b>Total:</b>					<u>119,637</u>	<u>65.1</u>

*Five largest customers for the year ended 31 March 2016*

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed	Approximate % of our total revenue
1	Customer I	A construction contractor principally carrying on building construction and maintenance business which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$3.7 billion as at the Latest Practicable Date with diverse business portfolio including construction and engineering, insurance and investment, property, lifestyle food and beverage as well as agriculture	1982	Hong Kong	Over 1 year	54,933	28.9
2	Customer F	A construction contractor which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$2.9 billion as at the Latest Practicable Date acting as a main contractor in residential and commercial property projects	1995	Hong Kong	Over 6 years	44,865	23.6
3	Customer J	A construction contractor in Hong Kong, being a subsidiary of one of the first local businesses to list on the Stock Exchange and was later privatised	1970	Hong Kong	Over 3 years	18,562	9.8
4	Customer K	A property developer listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$75.1 billion as at the Latest Practicable Date and principally engaged in property development and investment business	1971	Hong Kong	Over 14 years	16,507	8.7

(HK\$'000)

## BUSINESS

## BUSINESS

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed	Approximate % of our total revenue
5	Customer L	A regulatory body and law enforcement government department in Hong Kong with regard to electricity, gas, lift and escalator safety, and a number of related E&M safety areas and responsible for the provision of E&M engineering solutions and services to other government departments and public sector organisations in Hong Kong	NA	Hong Kong	Over 10 years	10,844	5.7
						(HK\$'000)	
						<b>Total:</b>	<b>76.7</b>

## BUSINESS

### Five largest customers for the three months ended 30 June 2016

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed	Approximate % of our total revenue
1	Customer M	A property developer listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$297.1 billion as at the Latest Practicable Date and principally carrying on property development and investment business with operations in property-related fields including hotels, property management, construction, insurance and mortgage services, as well as investments in telecommunications, information technology, infrastructure and other businesses	1972	Hong Kong	Over 1 year	7,733	16.9
2	Customer N	A construction contractor specialising in general contracting and construction management services which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$48.5 billion as at the Latest Practicable Date embracing a range of business in Hong Kong, PRC and Macau	2013	Hong Kong	Over 2 years	7,654	16.7
3	Customer I	A construction contractor principally carrying on building construction and maintenance business which is a subsidiary of a company listed on the Main Board of the Stock Exchange with a market capitalisation over HK\$3.7 billion as at the Latest Practicable Date with diverse business portfolio including construction and engineering, insurance and investment, property, lifestyle food and beverage as well as agriculture	1982	Hong Kong	Over 1 year	7,630	16.7

(HK\$'000)

## BUSINESS

Rank	Customer	Background and principal business nature	Year of establishment	Office location	Years of business relationship with our Group as at the Latest Practicable Date	Revenue contributed	Approximate % of our total revenue
4	Customer L	A regulatory body and law enforcement government department in Hong Kong with regard to electricity, gas, lift and escalator safety, and a number of related E&M safety areas and responsible for the provision of E&M engineering solutions and services to other government departments and public sector organisations in Hong Kong	NA	Hong Kong	Over 10 years	7,335	16.0
5	Customer O	A university in Hong Kong	1963	Hong Kong	Over 6 years	2,590	5.7
				<b>Total:</b>		<u>32,942</u>	<u>72.0</u>

(HK\$'000)

Our five largest customers during the Track Record Period were Independent Third Parties. None of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our five largest customers during the Track Record Period.

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## BUSINESS

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### **Pricing strategies**

Our Group adopts a cost-plus pricing model in setting our tender prices for all projects. On a case-by-case basis, we take into account various factors, including but not limited to: (i) the project's specifications; (ii) the estimated project cost which mainly comprises (a) subcontracting fees, (b) equipment and material costs, and (c) direct labour costs, with reference to preliminary quotations from our subcontractors and suppliers; (iii) tender records and experience for projects of similar nature, scope and complexity; and (iv) our Group's capacity and resources at the relevant time. We would also make reference to market information such as expected fluctuations in equipment and material costs, mainly MVAC system, in arriving at our final tender price.

Our projects are in general labour intensive. Despite the fact that we could engage subcontractors to carry out certain site works and complete certain tasks as required in the contracts with our customers, substantial involvement by our project teams in the project implementation phase is required. For instance, our project teams need to prepare budget and project plan, conduct site inspection, make arrangements with and supervising our subcontractors and suppliers, source equipment and materials, and take up relevant tasks as required in the contracts. 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 financial results of the Group. As such, in order to avoid exceeding our Group's capacity and having adverse impact to our financial performance resulted from excessive tendering, we may decline tender invitations.

Besides, equipment and material costs deployed in projects are also crucial factor which may impact our Group's financial performance. In the preparation of tenders to our customers, we obtain preliminary quotations from our suppliers to ensure the equipment and material costs to be deployed in projects are accurately assessed. After projects are awarded to us, our engineers will make sure that the equipment and materials to be ordered from suppliers can match the projects' specifications. With a view to further improving our profit margin from projects, we also strive to pursuit better offers and terms, than those set out in the preliminary quotations from the relevant suppliers. Particularly, for projects which allow us to have flexibility in the selection of suppliers, we sourced specifications-matching equipment and materials deployed at the most competitive pricing terms. In addition, supplier may offer price reduction, taking into account factors including purchase quantity, exchange rates, cost of materials, market competition and whether the supplier is desirous of providing the equipment and materials in specific projects. Consequently, these projects usually give rise to higher gross profit margins.

Apart from the above, we have also implemented the following measures to manage our risk of cost overruns:

- (i) a detailed estimation of time and costs expected to be incurred in a project is prepared by our engineers and will be reviewed by the management before submission to our customers;



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## BUSINESS

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- (ii) a fixed scope of work will be agreed upon with customers, based on which our Group's tender is prepared. We accept customers' requests for variation in the scope of work on the basis that a variation order has to be agreed upon. Our engineers will prepare budgets with expected time and costs on such requests for material variation orders and would not proceed prior to obtaining the approvals from our relevant project managers; and
- (iii) the project team will obtain preliminary quotations from potential subcontractors and suppliers in respect of various engineering designs in order to ascertain the costs expected to be incurred, thereby forming the cost assessment basis for our tenders.

Our Group did not experience the issue of material irrecoverable cost overruns for the projects carried out during the Track Record Period.

### Key contract terms with our customers

The major contract terms with our customers are summarised as follow:

Key terms	Description
Project information	Premise location, work scope, duration, contract value
Schedule of rates	Breakdown of the contract sum itemising the works and quantities, and their respective price rate
Payment terms	We do not receive any sums as prepayments from our customers. Progress payments will be paid to us by our customers according to the contract terms. We submit a statement specifying our estimated work completion and payment application to our customer. The customer's representatives will then issue an interim certificate to certify our work in the preceding month within 30 days from our payment application. Customer will then make payment based on the certified amount less the retention money within 30 days from the issuance of the certificate
Variation order	The customer may instruct us to carry out variations to the work and the prices for carrying out different variation orders are set out in a schedule of prices in the agreement
Defect liability period	We are required to make good any defects at our own cost within this period, which is generally 12 months from issuance of the practical completion certificate
Retention money	In general, our customer withhold 10% of the certified amount specified in the interim certificates as retention money until the total retained sum reaches 5% of the total contract value, being the maximum amount to be retained for each project. Retention money will be paid to us upon issuance of certificate of completion of making good defects

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## BUSINESS

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Insurance	Based on the project nature, we generally take out employees' compensation insurance, contractors' all risks and third party liability insurance
Liquidated damages	In general, failure to complete on time will result in liquidated damages against us. The calculation is according to an agreed daily rate under the contract
Extension of completion	If the progress of the works is likely to be delayed due to certain situations as stipulated under the contract, we shall estimate the length of the delay and notify the customer by letter and apply for reasonable extension of time for completion of the works. The customer will send us a written consent if our application is granted
Termination	Our customers are entitled to terminate the contracts with us if we (i) fail to perform any part of the contract or the work; or (ii) become bankrupt or subject to winding up order

### INSURANCE

In general, we maintain insurance for employees' compensation insurance policy covering the liability to make payment in respect of death, injury or disability of our employees under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). During the Track Record Period and up to the Latest Practicable Date, Shun Hing HK, our only entity providing E&M engineering services, has respective insurance cover for its liabilities under employees' compensation and personal injury claims which meet the statutory minimum insurance coverage of HK\$100 million on a per incident basis. We also take out fire insurance and office general insurance for our office premises.

Our customers would usually take out contractors' all risk insurance policies covering our Group's liabilities arising from potential damage to the buildings or structures under our subcontracted works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our subcontracted works. In some cases, we would also take out contractors' all risk insurance policies where our customers had not done so or if we considered the coverage of the insurance policies taken out by these customers might not be adequate. The coverage of such insurance policies includes all works performed by Shun Hing HK and all its subcontractors of any tier. Please refer to the paragraph headed "— Customers — Key contract terms with our customers" in this section for key contractual terms with our customers on insurance arrangement. Our Directors believe that our current insurance policies are sufficient for our operations.

### ENVIRONMENTAL MATTERS

We would perform an environmental study on each project to identify any potential environmental issues, such as noise. Relevant plan will be implemented to mitigate these issues. Please refer to the section headed "Regulatory overview" in this prospectus for further details.

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## BUSINESS

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Our Directors confirm that we have not breached any applicable environmental laws and regulations during the Track Record Period.

### **QUALITY CONTROL**

We strive to provide high quality work to our customers. As such, we have established a quality management system to monitor both our work and our subcontractors' work.

In recognition of our quality management system, we are certified as being in compliance with the requirements of ISO9000. Please refer to the paragraph headed “— Certifications” in this section for further details.

### **OCCUPATIONAL HEALTH AND WORK SAFETY**

#### **Occupational health and safety measures**

As at the Latest Practicable Date, we have a safety team including one safety officer and 13 site supervisors with safety supervisor qualification and certificates. Since each project has different safety requirements, our site supervisors will work with the project manager for each project on safety issues. The safety team will perform safety risk assessment for each project and ensure the construction plan complies with our safety guidance and relevant laws and regulations. Please refer to the section headed “Regulatory overview” in this prospectus for further details on the applicable laws and regulations. Once our safety team endorses the construction plan, the safety team will also provide briefing to our workers on the project.

In the course of carrying out the project, our safety team will closely monitor the work sites by conducting inspection. We have strict guidelines for our employees and subcontractors to comply with our safety policy. If substandard performance is found, we will issue warning letter or suspension notice to the relevant personnel. The safety team will also hold meetings and provide trainings from time to time to communicate safety measures with the workers.

Our occupational health and safety management system is certified to be in compliance with the standard required under OHSAS 18000. Please refer to the paragraph headed “— Certifications” in this section for further details.

#### **Work injuries during Track Record Period**

We maintain an internal record of our work injuries. All injuries on site must be reported to our safety supervisors who will be responsible for all the reporting to relevant authorities. Report about such work injury will be made to the Commissioner for Labour under the Employees' Compensation Ordinance (Chapter 282 of the laws of Hong Kong) and to the insurance company under the relevant insurance policy.

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## BUSINESS

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In the usual and ordinary course of our business, our employees and the employees of 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 the details of the work injuries of the employees of our subcontractors during the Track Record Period and up to the Latest Practicable Date:

No	Accident date	Particulars of accidents	Relationship between the injured and our Group	Status and compensation sum (if applicable)
1	26 March 2013	The injured suffered from dislocation of right shoulder when he was electrocuted during inspection of air-conditioners	Employee of our subcontractor	Fully settled by the main contractor
2	19 June 2013	The injured suffered from injury of left chest when he slipped on a surface	Employee of our subcontractor	Fully settled by the main contractor
3	30 November 2013	The injured suffered from fracture of elbow when he carried steel channel	Employee of our subcontractor	Fully settled by our subcontractor
4	2 January 2015	The injured suffered from injury of left leg when he fell on the ground	Employee of our subcontractor	Fully settled by the main contractor
5	3 May 2015	The injured suffered from injury of left foot when he twisted his ankle while walking down the stair	Employee of our subcontractor	Fully settled by our subcontractor
6	16 October 2015	The injured suffered from fracture of left wrist when he fell on the ground	Employee of our subcontractor	Fully settled at HK\$56,680 covered by our own insurance
7	24 November 2015	The injured suffered from fracture of left ankle when he lost balance and fell from a ladder	Employee of our subcontractor	Under medical consultation and treatment
8	26 September 2016	The injury suffered from strain of left chest muscle when he was replacing parts of the air handling unit	Our former employee	Under medical consultation and treatment

All the work injuries during the Track Record Period and up to the Latest Practicable Date had been reported to the Commissioner for Labour pursuant to the relevant laws and regulations. No court action has been taken against any member of our Group in relation to these work injuries and all of the above employees' compensation claims were not/are not conducted through court action during the Track Record Period and up to the Latest Practicable Date.

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## BUSINESS

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The following table sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers of our Group against the relevant construction industry average rates in Hong Kong:

	<b>Construction industry average rate</b> <i>(Note 1)</i>	<b>Our Group's rate</b> <i>(Note 2)</i>
<b>For the calendar year of 2013</b>		
Accident rate per 1,000 workers <i>(Note 3)</i>	40.8	7.0
<b>For the calendar year of 2014</b>		
Accident rate per 1,000 workers <i>(Note 3)</i>	41.9	0.0
<b>For the calendar year of 2015</b>		
Accident rate per 1,000 workers <i>(Note 3)</i>	Not yet available	5.3

*Notes:*

- (1) The accident rate in the construction industry for the two years ended 31 December 2013 and 2014 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 14 and No. 15 issued by the Occupational Safety and Health Branch, Labour Department of Hong Kong in July 2014 and August 2015, respectively, which represents the accident rate per 1,000 workers of the construction industry in Hong Kong in the respective year.
- (2) The accident rate of our Group is calculated as to the number of accidents during the year divided by the estimated number of site workers of our Group (both in-house workers and subcontractors) during the year, and then multiplied by 1,000. Such estimated number of site workers of our Group during the year is based on estimation on monthly site workers deployed by the Group. Based on the above analysis, the accident rate of our Group is lower than that of the construction industry in 2013 and 2014.

The following tables set out our Group's lost time LTIFR *(Note 3)*:

For the calendar year of 2013	3.0
For the calendar year of 2014	0.0
For the calendar year of 2015	2.3

- (3) It is calculated by multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.

## INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered one trademark in Hong Kong and one domain name in Hong Kong, which are being used by our Group. We have not received any material claim against us for infringement of any trademark nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

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## BUSINESS

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Please refer to the section headed “Statutory and general information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group” in Appendix V to this prospectus for further details.

### EMPLOYEES

As at 31 March 2014, 2015 and 2016 and 30 June 2016 and the Latest Practicable Date, we had a total of 53, 63, 69, 77 and 81 employees in Hong Kong, respectively. The following table sets forth a breakdown of our employees by function as at 31 March 2014, 2015 and 2016 and 30 June 2016 and the Latest Practicable Date:

Function	As at				
	31 March 2014	31 March 2015	31 March 2016	30 June 2016	the Latest Practicable Date
Management	8	8	9	9	9
Project and safety					
- Engineers	19	24	26	33	35
- Site supervisors	9	14	15	13	13
- Draftsmen	5	6	7	8	9
- Technicians	8	6	6	8	9
- Safety officer	1	1	1	1	1
Administration	2	3	3	3	3
Finance	1	1	2	2	2
<b>Total</b>	<u>53</u>	<u>63</u>	<u>69</u>	<u>77</u>	<u>81</u>

Our Directors consider that we have maintained good relationship with our employees. During the Track Record Period, we have not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes. In addition, we have not experienced any difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

We provide various types of trainings to our employees including by means of various external training courses.

Our remuneration package includes salary and discretionary bonuses. In general, our Group determines employee salaries based on each employee’s qualifications, position and seniority. We will review our remuneration package annually. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

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## BUSINESS

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Our direct labour costs during the Track Record Period amounted to approximately HK\$15.4 million, HK\$19.7 million, HK\$23.3 million and HK\$6.5 million, or accounted for 5.7%, 11.3%, 16.8% and 14.7% of our total actual costs respectively.

### PROPERTIES

As at the Latest Practicable Date, we owned/leased the following properties:

#### Owned property

<u>Location</u>	<u>Approximate Saleable area (sq. f.)</u>	<u>Usage</u>
8th Floor, Block B, Alexandra Industrial Building, 27 Wing Hong Street, Kowloon, Hong Kong	5,611	Workshop

#### Leased property

<u>Location</u>	<u>Approximate Gross floor area (sq. f.)</u>	<u>Lessor</u>	<u>Key terms of the tenancy</u>	<u>Usage</u>
Units 605-606, 6/F., Tower I, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong	4,250	Lai Sun Development Company Limited, an Independent Third Party	24 months rental agreement from 3 May 2016 to 2 May 2018	Office

*Note:* Lease for office premises is negotiated and fixed for a term of two years and included a renewed option at the discretion of the Group for further two years.

### SYSTEMIC NON-COMPLIANCE OF OUR GROUP

Our Directors confirm that save as disclosed below under this paragraph, we have complied with all applicable laws and regulations in all material respects in Hong Kong during the Track Record Period and up to the Latest Practicable Date. We also set forth below measures adopted by us to prevent the recurrence of such non-compliance in the future.

## BUSINESS

### *Systemic Non-compliance with the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)*

Set out below is the non-compliance of our Group in relation to the CICO:

Relevant sections	Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequence(s) and maximum penalty	Remedial action
Sections 34, 35 and 36 of the CICO	<p>Under sections 34, 35 and 36 of the CICO, we have the duty to file to the CIC (i) a notice of commencement of construction operations within a prescribed time limit after the commencement of construction operations; (ii) a notice of payment within a prescribed time limit after we received a payment in respect of the construction operation; and (iii) a notice of completion within a prescribed time limit after the completion of the construction operations. The purpose of filing of the notice of payment and the notice of completion is to facilitate the CIC to assess the amount of construction industry levy, which was at the rate of 0.4% of the total value of the construction operations concerned before 20 August 2012 and 0.5% of the total value of the construction operations concerned after such date, payable by us under Schedule 5 of the CICO.</p> <p>We had incidents of failure to file the notices of commencement of construction operations, the notices of payment and notices of completion within the prescribed time limits for certain projects that were completed within two years before the Latest Practicable Date and we were involved in total of 54 offences under the CICO during the Track Record Period and up to the Latest Practicable Date.</p> <p>According to the payment notices issued by the CIC, the total amount of construction industry levy regarding the relevant projects was HK\$973,473, all of which were in relation to the direct contracts signed between our Group as the main contractor and our customers.</p>	<p>Levy payment matters were delegated by our project manager to our project engineer who should have liaised with our administrative clerk in arranging for filing and payment of the levy. It is a common industry practice for the main contractor to deduct the amount of levy payable in each progress payment paid to the subcontractors and the subcontractors do not have to handle levy payment directly. Due to the misunderstanding of the filing and payment of levy obligations responsible by the main contractors and the subcontractors, our project engineer and our administrative clerk did not distinguish and were not aware of our obligations to arrange filing and payment of levy under the CICO for the direct contracts signed by our Group as the main contractor. The omissions by our project engineer and administrative clerk were due to their misunderstanding and were not wilful. The non-compliance matters were only discovered by our Directors during our Group's preparation for the Listing.</p>	<p>Under sections 34, 35 and 36 of the CICO, the maximum fine for each offence is HK\$10,000. Further, the construction industry levy and surcharge is recoverable by the CIC as civil debt under section 47 of the CICO.</p> <p>As advised by the Legal Counsel, the time limits for the CIC to make assessment or impose the surcharge are, whichever is the last of (a) two years after the completion of the construction operation; (b) two years after the expiry of the period within which the contract stipulates that the construction operations has to be completed; and (c) one year after evidence comes to the knowledge of CIC for it to make the assessment. As such, for projects that were completed two years before the Latest Practicable Date, the Legal Counsel further advised that, as no assessment is to be made by the CIC, the risk that our Group is held liable for the levy is minimal and remote. Our Directors confirmed that the CIC had made assessment of the levy and we had paid all outstanding levy within the prescribed time limit. As advised by the Legal Counsel, there is no risk of surcharge or penalty to be imposed by the CIC against our Group.</p> <p>As advised by the Legal Counsel, for projects that are ongoing or were completed within two years before the Latest Practicable Date, the CIC is entitled to make the assessment and surcharge can be imposed if the notice of payment and the notice of completion had not been filed with the CIC.</p> <p>In addition, since the Legal Counsel is not aware that any departmental summons has been issued in the past by the CIC in relation to violations of sections 34, 35 and 36 of the CICO, and our Group has already taken immediate remedial actions by filing the relevant notices and settling the outstanding levy, the Legal Counsel is of the view that the risk of enforcement action against our Group and our Directors is too remote and can be disregarded. As at the Latest Practicable Date, the CIC has not taken any enforcement action against our Group. We have provided for and settled the unpaid levy in full on 28 April 2016 while no provision had been made in respect of the potential penalty as the Legal Counsel advised that the risk that our Group is held liable for the penalty is minimal and remote. There is no further potential operational and financial impact for us. For details of the risk factor related to our non-compliance, please refer to the section headed "Risk factors — We have records of systemic non-compliance with certain Hong Kong ordinances and regulations" in this prospectus.</p>	<p>To rectify such systemic non-compliance and to avoid any possible legal consequence, in April 2016, we filed the notices of commencement of construction operations, notices of payment and notices of completion to the CIC for the relevant projects. Accordingly, the CIC issued the payment notices for the relevant projects and the relevant levy has been paid in full on 28 April 2016.</p> <p>Our Controlling Shareholders have agreed to indemnify our Group against any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the claims and non-compliance of any legal and/or regulatory requirement on or before the Listing Date.</p>



## BUSINESS

### *Systemic Non-compliance with the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) and the Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong)*

Set out below is the non-compliance of our Group in relation to the PMCO and PMCALR:

Relevant sections	Particulars of non-compliance	Reason(s) for the non-compliance	Legal consequence(s) and maximum penalty	Remedial action
Sections 35 and 38 of PMCO and regulations 4, 5, 5A and 6 of the PMCALR	<p>Under regulations 4, 5 and 6 of the PMCALR, we have the duty to file to the PCFB (i) a notice of commencement of construction operations within a prescribed time limit after the commencement of construction operations; (ii) a notice of payment within a prescribed time limit after we received a payment in respect of the construction operations; and (iii) a notice of completion within a prescribed time limit after the completion of the construction operations. The purpose of filing of the notice of payment and the notice of completion is to facilitate the PCFB to assess the amount of pneumoconiosis compensation fund levy, which was at the rate of 0.25% of the value of the construction operations concerned before 20 August 2012 and 0.15% of the total value of the construction operations concerned after such date, payable by us under section 35 of the PMCO.</p> <p>We had incidents of failure to file the notices of commencement of construction operations, the notices of payment and notices of completion within the prescribed time limits for certain projects that were completed within two years before the Latest Practicable Date and we were involved in total of 54 offences under the PMCALR during the Track Record Period and up to the Latest Practicable Date.</p> <p>According to the payment notice issued by the PCFB, the total amount of levy regarding the relevant projects was HK\$379,139, all of which were in relation to direct contracts signed between our Group as the main contractor and our customers.</p>	<p>Levy payment matters were delegated by our project manager to our project engineer who should have liaised with our administrative clerk in arranging for filing and payment of the levy. It is a common industry practice for the main contractor to deduct the amount of levy payable in each progress payment paid to the subcontractors and the subcontractors do not have to handle levy payment directly. Due to the misunderstanding of the filing and payment of levy obligations responsible by the main contractors and the subcontractors, our project engineer and our administrative clerk did not distinguish and were not aware of our obligations to arrange filing and payment of levy under the PMCALR for the direct contracts signed by our Group as the main contractor. The omissions by our project engineer and administrative clerk were due to their misunderstanding and were not wilful. The non-compliance matters were only discovered by our Directors during our Group's preparation for Listing.</p>	<p>Under regulations 4, 5 and 5A of the PMCALR, the maximum fine for each offence is HK\$5,000. Further, the pneumoconiosis compensation fund levy and surcharge is recoverable by the Pneumoconiosis Compensation Fund Board as civil debt under section 38 of the PMCO.</p> <p>As advised by the Legal Counsel, the time limits for the PCFB to make assessment or impose the surcharge are, whichever is the last of (a) two years after the completion of the construction operation; (b) two years after the expiry of the period within which the contract stipulates that the construction operations has to be completed; and (c) one year after evidence comes to the knowledge of PCFB for it to make the assessment. As such, for projects that were completed two years before the Latest Practicable Date, the Legal Counsel further advised that, as no assessment is to be made by the PCFB, the risk that our Group is held liable for the levy is minimal and remote. Our Directors confirmed that the PCFB had made assessment of the levy and we had paid all outstanding levy within the prescribed time limit. As advised by the Legal Counsel, there is no risk of surcharge or penalty to be imposed by the PCFB against our Group.</p> <p>As advised by Legal Counsel for projects that are ongoing or were completed within two years before the Latest Practicable Date, the PCFB is entitled to make the assessment and surcharge can be imposed if the notice of payment and the notice of completion had not been filed with the PCFB.</p> <p>In addition, since the Legal Counsel is not aware that any departmental summons has been issued in the past by the PCFB in relation to violations of regulations 4, 5 and 5A of the PMCALR, and our Group has already taken immediate remedial actions by filing the relevant notices and settling the outstanding levy, the Legal Counsel is of the view that the risk of enforcement action against our Group and our Directors is too remote and can be disregarded. As at the Latest Practicable Date, the PCFB has not taken any enforcement action against our Group. We have provided for and settled the unpaid levy in full on 28 April 2016 while no provision had been made in respect of the potential penalty as the Legal Counsel advised that the risk that our Group is held liable for the penalty is minimal and remote. There is no further potential operational and financial impact for us. For details of the risk factor related to our non-compliance, please refer to the section headed "Risk factors — We have records of systemic non-compliance with certain Hong Kong ordinances and regulations" in this prospectus.</p>	<p>To rectify such systemic non-compliance and to avoid any possible legal consequence, in May 2016, we filed the relevant notices of commencement of construction operations, notices of payment and notices of completion to the PCFB for the relevant projects. Accordingly, the PCFB issued the payment notices for the relevant projects and the relevant levy has been paid in full on 24 May 2016.</p> <p>Our Controlling Shareholders have agreed to indemnify our Group against any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the claims and non-compliance of any legal and/or regulatory requirement on or before the Listing Date.</p>

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## BUSINESS

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### **Enhanced internal control**

For our non-compliance with (1) the CICO; and (2) the PMCO and the PMCALR, we have engaged an accounting firm as our independent internal control adviser to review our enhanced internal control measures and put forward recommendations to our Company. We have implemented enhanced internal control measures in order to prevent such non-compliances in the future by clearly set out in a manual all internal procedures for timely filing of relevant forms of notices and payment of levy to the CIC and PCFB. Our project managers will (i) ensure that the relevant forms of notices are filed to the CIC and PCFB within their prescribed timelines; (ii) upon receiving notice of assessment from the CIC and PCFB, notify our finance department to arrange for levy payment; (iii) create and update a register of levy payment for each project; (iv) record the progress of each project (including date of commencement and completion, date and amount of payment received) and the status of notice and form; and (v) check whether there are any updates to relevant laws and regulations regularly.

As disclosed above, the non-compliance was due to the delegation of filings by the project managers to the project engineers and the administrative clerk who had misunderstandings on the filing and payment obligations under the CICO, the PMCO and the PMCALR. All the project managers of the Group are duly aware of the relevant filing and payment obligations. After the adoption of the enhanced internal control measures by the Group, the Company's management has selected certain project managers (based on various factors such as performance, experience and workload) who were not involved in the non-compliance matters to implement the enhanced internal control measures and the selected project managers are required to follow the internal manual of the Group which sets out the requirements for timely filing and payment under the CICO, the PMCO and the PMCALR, and they will handle all filings under the CICO, the PMCO and the PMCALR by themselves without further delegation of work to prevent any future non-compliance.

Our Controlling Shareholders have agreed to indemnify our Group against any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the claims and non-compliance of any legal and/or regulatory requirement on or before the Listing Date.

### **View of our Directors and the Sponsor**

Our Directors consider that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules having taken into account that (i) our Group has fully rectified all of the non-compliance incidents, where appropriate; (ii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of the non-compliance incidents; (iii) there were no recurrence of similar non-compliance incidents since the implementation of such measures; (iv) the non-compliance incidents did not involve any dishonesty or fraudulent act on the part of our executive Director; and (v) the executive Directors' commitment to implement changes demonstrates that their integrity is not at risk. In view of the above, our Directors believe, and the Sponsor concurs that, the internal control measures are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of non-compliance incident.

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## BUSINESS

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### LITIGATION

During the Track Record Period and up to the Latest Practicable Date, in the ordinary course of business, our Group has been involved in a number of employees' compensation claims against our Group, either in the capacity as main contractor or subcontractor, which arisen due to personal injuries suffered by our Group's employees or the employees of the subcontractors during the course of their employment for our Group's projects.

In relation to the eight accidents that took place during the Track Record Period and up to the Latest Practicable Date as set out in details under the section headed "Business — Occupational health and work safety" in this prospectus, there were eight employees' compensation claims up to the Latest Practicable Date, of which six were settled and two were outstanding.

### INCORRECT TAX RETURNS FILED WITH THE IRD

During the Track Record Period, the accounting treatment of certain financial statement items were erroneously applied in the historical statutory financial statements of our subsidiaries, Shun Hing HK and Golden Light, resulting in corresponding errors in the tax returns filed with the IRD. For details, please refer to the section headed "Financial information — Description of selected components of consolidated income statement — Income tax expense" in this prospectus.

### RISK MANAGEMENT

We have implemented a series of measures to manage the risks that we face in our operation. Our management team actively monitors and promptly reacts to changes in the industry's laws and regulations that impact our operations. Each of our finance team, project and safety team and administration team members regularly report to our management with respect to any compliance issues.

### INTERNAL CONTROL MEASURES

Our internal control system covers our major business aspects such as revenue and receipt, project cost management, human resources and payroll, fixed assets, treasury and cash management, financial statements preparation and information technology. Our internal control measures mainly include controls over segregation of duties, approvals and authorisations, accounting systems, assets, budgets and performance evaluation of our suppliers and subcontractors, which are supervised by our financial controller. Our financial controller and the management team including executive Directors are responsible to identify risks and internal control deficiencies, evaluate our internal control system from time to time and implementing additional control measures, if necessary, to improve our internal control system. Further details of our risk management are set out in the paragraph headed "— Risk management" in this section. Results of our internal assessments, internal surveys and routine inspections would be reported to the audit committee of our Board, which is responsible to review our financial information and supervise our financial reporting system and internal controls procedures.

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## BUSINESS

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We have also engaged an accounting firm as our independent internal control adviser, to perform a detailed evaluation of the adequacy and effectiveness of our Group’s internal control system including the areas of financial, operations, compliance and risk management with an aim to, among other matters, improve our Group’s corporate governance, ensure compliance with the applicable safety regulations, and prevent occurrence of non-compliance incidents.

For details of our enhanced internal control measures implemented in respect of the non-compliances of our Group with the CICO and PMCO and the PMCALR, please refer to the paragraph headed “— Systemic non-compliance of our Group — Enhanced internal control” in this section.

### LICENCES, PERMITS AND APPROVALS

A summary of the laws and regulations applicable to our business and industry is set out in the section headed “Regulatory overview” in this prospectus.

As at the Latest Practicable Date, Shun Hing HK, our operating subsidiary, had obtained the following licences, permits and approvals which are material for us to operate our business in Hong Kong.

Issuing authorities	Licence/qualification	Holder	Date of current grant	Expiry date
Buildings Department	Specialist contractors (sub-register of ventilation works)	Shun Hing HK	3 February 2015	13 March 2018
Buildings Department	Minor works contractors (company) <sup>(1)</sup> - Type A (Classes II and III) - Type E (Classes I, II and III)	Shun Hing HK	19 March 2014	14 February 2017
EMSD	Registered Electrical Contractor	Shun Hing HK	31 March 2016	8 June 2019
WBDB	List of Approved Suppliers of Materials and Specialist Contractor for Public Works (Air-Conditioning Installation) (Group II )	Shun Hing HK	20 October 1999	On list as at the Latest Practicable Date <sup>(2)</sup>
WBDB	List of Approved Suppliers of Materials and Specialist Contractor for Public Works (Electrical Installation) (Group II) (on probation)	Shun Hing HK	11 March 2016	On list as at the Latest Practicable Date <sup>(2)</sup>
CIC	Registered subcontractor in the List of Registered Subcontractor	Shun Hing HK	3 November 2016	2 November 2018

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## BUSINESS

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*Notes:*

- (1) Contractors of specific type and class under minor works contractors can only perform works of specific types, nature, size and at specific location. Type A contractors can perform alteration and addition works. Type E contractors can perform works relating to structures for amenities.
- (2) There is no expiry date for such qualification.

Our Directors confirm that we have obtained all the licenses, permits and approvals for all our operation during the Track Record Period.

### CERTIFICATIONS

We have obtained the following certifications:

<b>Certifications</b>	<b>Date of Grant</b>	<b>Description</b>	<b>Issuing organisation</b>	<b>Expiry date</b>
ISO:9001 : 2008	9 January 2016	Design, supply, installation and maintenance of heating, ventilation and air-conditioning systems. Design, supply, installation and maintenance of “low voltage electrical systems” as defined in Electricity Ordinance, Chapter 406 of the Laws of Hong Kong	ACI Limited	11 February 2018
ISO14001 : 2004	20 February 2016	Design, supply, installation and maintenance of heating, ventilation and air-conditioning systems. Design, supply, installation and maintenance of “low voltage electrical systems” as defined in Electricity Ordinance, Chapter 406 of the Laws of Hong Kong	ACI Limited	15 September 2018
OHSAS 18001:2007	20 February 2016	Design, supply, installation and maintenance of heating, ventilation and air-conditioning systems. Design, supply, installation and maintenance of “low voltage electrical systems” as defined in Electricity Ordinance, Chapter 406 of the Laws of Hong Kong	ACI Limited	20 February 2019

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

By virtue of the Acting-in-concert Confirmation, our Controlling Shareholders include Mr. Yu, Mr. Lau, Prosperously Legend and Simply Grace. For details of the acting in concert arrangement, please refer to the section headed “History, reorganisation and corporate structure — Acting-in-concert Confirmation” in this prospectus. Immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), our Controlling Shareholders will together be entitled to exercise or control the exercise of 75% of the issued share capital of our Company. Mr. Yu and Mr. Lau are each an executive Director. Prosperously Legend is a company incorporated under the laws of the BVI on 15 March 2016 with limited liability, which is wholly-owned by Mr. Yu and Simply Grace is a company incorporated under the laws of the BVI on 8 February 2016 with limited liability, which is wholly-owned by Mr. Lau.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. 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 their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on the business independent of, and without undue reliance on, our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

#### Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of the Board includes the approval of the overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group. The Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. For more information relating to their biographies, please refer to the section headed “Directors, senior management and employees” in this prospectus. The Board and senior management will function independently from our Controlling Shareholders because:

- (a) each of our Directors is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the best interests of our Company and the Shareholders as a whole, and does not allow any conflict between his duties as a director and his personal interest to exist;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum; and
- (c) the senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry our Group is engaged in and have served our Group for a significant length of time during which period they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

### Financial Independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. Our Group has sufficient capital to operate the business independently, and have adequate internal financial resources and a strong credit profile to support the daily operations. During the Track Record Period, our Group has relied principally on cash generated from operations to carry on its businesses and this is expected to continue immediately after the Global Offering. Our Directors confirmed that, save as disclosed in this prospectus, our Controlling Shareholders have not provided any guarantees, loans or pledges in favour of our Group during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that any guarantee provided by our Controlling Shareholders will be released before the Listing.

### Operational Independence

Our Group has established our own organisational structure made of individual functional departments, each with specific areas of duties and responsibilities. Our Group did not share the operational resources, such as contractors, customers and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls system to facilitate the effective operation of its business. Our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders after the Listing.

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

### RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders, our Directors, the substantial shareholders and their respective close associates do not have any interest in a 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.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders has jointly and severally undertaken to our Company that he/it shall not, and shall procure that none of their respective close associates (other than members of our Group) shall, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business that directly or indirectly be involved in or any business that directly or indirectly competes, or may compete, with our business or undertaking and any other new business which our Group may undertake from time to time after the Listing (the “**Restricted Business**”).

The Deed of Non-competition does not apply to the relevant Controlling Shareholder in the circumstances where he/it has:

- (a) any interest in the shares of any member of our Group; or
- (b) interest in the shares of a company other than our Group provided that:
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating to any Restricted Business) accounts for less than 5% of that company’s consolidated sales or consolidated assets, as shown in that company’s latest audited accounts; and
  - (ii) the total number of shares held by our Controlling Shareholders and their respective close associates (other than members of our Group) in aggregate does not exceed 5% of the issued shares of that class of the company in question and our Controlling Shareholders and their respective close associates (other than members of our Group) are not entitled to appoint a majority of the directors of that company.

The “**Restricted Period**” stated in the Deed of Non-competition refers to the period during which:

- (a) the Shares remain listed on the Stock Exchange; and
- (b) either our Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or
- (c) any of our Controlling Shareholders or their respective close associates remains as a director of any member of our Group.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Each of our Controlling Shareholders has further jointly and severally undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to our Controlling Shareholders and/or any of their respective close associates (other than members of our Group) (the “**Offeror**”) shall be first referred to our Group in the following manner:

- (a) our Controlling Shareholders are required to, and shall procure their respective close associates (other than members of our Group) to, promptly refer, or procure the referral of, the New Opportunity to our Group, and shall promptly give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with the business of our Group and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the business of our Group; or (ii) the Offeror has not received the notice from our Company within 10 business days from our Company’s receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror shall refer the New Opportunity as so revised to our Group in the manner as set out above.

Upon receipt of the Offer Notice, our Company will seek opinions and decisions from a committee of the Board consisting of our independent non-executive Directors as to whether (a) the New Opportunity would constitute competition with the business of our Group; (b) it is in the interest of our Company and the Shareholders as a whole to take up the New Opportunity; and (c) to take up or decline the New Opportunity.

With a view to avoiding competition of businesses between our Group and our Controlling Shareholders, our independent non-executive Directors will, at least on an annual basis, review the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders and the results of such review will be included in our Company’s annual reports.

Each of our Controlling Shareholders has further jointly and severally undertaken to promptly:

- (a) provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;
- (b) allow, subject to confidentiality restrictions imposed by any third party, the representatives, the auditors and (if necessary) the compliance adviser of our Company to have access to

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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their business, financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether our Controlling Shareholders and their respective close associates (other than members of our Group) have complied with the terms of the Deed of Non-competition;

- (c) make an annual declaration in our Company's annual report on compliance with and enforcement of the Deed of Non-competition in accordance with the Listing Rules; and
- (d) address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time.

Our Controlling Shareholders, for themselves and on behalf of their respective close associates (other than members of our Group), have acknowledged that our Company may be required by the relevant laws, rules and regulations of the stock exchange(s) on which the Shares may be listed and the regulatory bodies in effect from time to time to:

- (a) disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in our Company's annual reports or announcements the decision of the independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline, and our Controlling Shareholders have agreed to the disclosure to the extent necessary to comply with any such requirement; and
- (b) comply with such further legal or regulatory requirements in connection with the Deed of Non-competition and our Controlling Shareholders have agreed to do all such acts to facilitate our Company to comply with the same.

Each of our Controlling Shareholders has jointly and severally undertaken that he/it will not, and will procure its/his/her respective close associates not to, directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition, is or has been or will after the date of the Deed of Non-competition be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or higher) of any member of our Group.

Each of our Controlling Shareholders has further jointly and severally undertake that he/it will not, and will procure its/his/her respective close associates not to, exploit its/his knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Business.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

The Deed of Non-competition provides that our Controlling Shareholders and their respective close associates (other than members of our Group) shall not compete with our Group. To further avoid potential conflict of interest, we have implemented the following measures:

- (a) our Company has adopted the Articles of Association which provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;
- (b) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and enforcement of the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to take up the New Opportunity;
- (c) our Controlling Shareholders will, as stipulated under the Deed of Non-competition, provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;
- (d) our Company will disclose, from time to time, information on the New Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline;
- (e) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. Background of our independent non-executive Directors are set out in the section “Directors, senior management and employees — Directors” in this prospectus; and
- (f) we have appointed Innovax Capital as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to Directors’ duties and corporate governance.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

The Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include but are not limited to convening Shareholders' meetings and reporting our Board's work at Shareholders' meetings; implementing the resolutions passed at Shareholders' meetings; determining business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; and exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service agreement with each of our executive Directors. We have also entered into a letter of appointment with each of our non-executive Director and independent non-executive Directors. The following table sets forth information regarding our Directors:

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities
Yu Cheung Choy <sup>(Note)</sup> (俞長財)	53	Chairman of our Board and executive Director	9 May 2016	2 March 1987	Leading the overall development, business strategies and expansion of our Group
Lau Man Ching (劉文青)	51	Chief executive officer and executive Director	9 May 2016	1 October 1995	Directing the overall management and business operations of our Group
Yu Ho Chi <sup>(Note)</sup> (俞浩智)	28	Non-executive Director	27 June 2016	27 June 2016	Providing strategic advice to our Group and acting as a member of the audit committee
Lam Yim Nam (林炎南)	64	Independent non-executive Director	6 December 2016	6 December 2016	Overseeing the management of our Group independently and acting as the chairman of the remuneration committee and member of the audit and nomination committees
Lee Wing Kee (李永基)	63	Independent non-executive Director	6 December 2016	6 December 2016	Overseeing the management of our Group independently and acting as the chairman of nomination committee and member of the audit and remuneration committees

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities
To Yan Ming Edmond (杜恩鳴)	44	Independent non-executive Director	6 December 2016	6 December 2016	Overseeing the management of our Group independently and acting as the chairman of the audit committee and member of the nomination and remuneration committees

*Note:* Yu Cheung Choy is the father of Yu Ho Chi.

### SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of our Group:

Name	Age	Present position(s) in our Group	Date of joining our Group	Roles and responsibilities
Lee Yui (李睿)	45	Project director of Shun Hing HK	3 October 2006	Overseeing and managing project administration and business marketing
Lee Chun Mo (李振武)	47	Senior project manager of Shun Hing HK	4 March 2002	Overseeing and managing project execution, operation and cost control matters
Lo Siu Kee (羅紹琪)	41	Project manager of Shun Hing HK	1 August 2005	Overseeing tender estimation and preparation, project execution, reviewing and controlling project budgeting, coordinating with customers and other parties and carrying out design and design verification works
Lee Foo Kwan (李富坤)	44	Project manager of Shun Hing HK	15 July 2002	Overseeing tender estimation and preparation, project execution, reviewing and controlling project budgeting, coordinating with customers and other parties and carrying out design and design verification works
Chan Ho Kei (陳浩基)	29	Financial controller of our Group	29 March 2016	Managing the financial operations and accounting functions of our Group

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Executive Directors

**Mr. Yu Cheung Choy (俞長財)**, aged 53, is the chairman of our Board and our executive Director. He is also the director of all our subsidiaries. As the founder of our Group, he became a controlling shareholder of Golden Light in March 1987 and established Shun Hing HK in August 1987. He is primarily responsible for leading the overall development, business strategies and expansion of our Group.

Mr. Yu obtained a bachelor degree of engineering (building service management) with honours from Washington InterContinental University in the United States through distance learning in March 2004.

Mr. Yu has over 29 years of experience in E&M engineering services industry. His experience includes project management, supervision and execution for various E&M engineering services projects.

Mr. Yu was a director of the following companies incorporated in Hong Kong prior to their respective dissolutions:

<u>Company</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Certain Grand Management Limited 可豐管理有限公司	Investment holding	9 March 2001	Dissolved by deregistration by the Registrar of Companies of Hong Kong as defunct company pursuant to section 291AA of the then Predecessor Companies Ordinance
Country Super Limited 冠紀有限公司	Investment holding	9 March 2001	Dissolved by deregistration by the Registrar of Companies of Hong Kong as defunct company pursuant to section 291AA of the then Predecessor Companies Ordinance

Mr. Yu confirmed that there was no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had been involved in the dissolutions of the above companies.

Mr. Yu is the father of Mr. Yu Ho Chi, our non-executive Director.

Mr. Yu has not been a director of any listed companies in the last three years.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Lau Man Ching (劉文青)**, aged 51, is our chief executive officer and executive Director. He is also the director of all our subsidiaries. He joined our Group and became the sales and marketing manager of Shun Hing HK in October 1995. He then became the director of Shun Hing HK in February 2000. He is primarily responsible for directing the overall management and business operations of our Group.

Mr. Lau obtained a master degree of business administration in management from the Southeastern University in the United States through distance learning in February 1996. He was awarded a diploma in management studies jointly from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) and Hong Kong Management Association in Hong Kong in September 1994. He was also awarded a higher diploma in building services engineering from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in Hong Kong in November 1987. He is also the authorised signatory and technical director in the category of registered specialist contractor (sub-register of ventilation works), and the category of minor works contractor type E (Classes II and III) with the Buildings Department for Shun Hing HK.

Mr. Lau has over 28 years in E&M engineering services industry. His experience include business management, project management, supervision and execution for various E&M engineering services projects. Prior to joining our Group, Mr. Lau joined Standard Refrigeration & Engineering Co. Ltd., an air-conditioner distribution company, as a senior sales engineer in November 1990 and last served as a project sales manager of the company until September 1995, and was responsible for sales and marketing of MVAC systems. He was a technical engineer in Daikin Airconditioning (Hong Kong) Ltd., a Japanese air-conditioning equipment manufacturer, from October 1987 to June 1990, and was responsible for providing technical support to distributors and customers.

Mr. Lau has not been a director of any listed companies in the last three years.

### **Non-executive Director**

**Mr. Yu Ho Chi (俞浩智)**, aged 28, is our non-executive Director. He joined our Group as non-executive Director on 27 June 2016. He is responsible for providing strategic advice to our Group and acting as a member of the audit committee of our Company.

Mr. Yu graduated from the University of Melbourne in Australia with a bachelor degree of commerce in December 2009. He has been a certified public accountant under Hong Kong Institute of Certified Public Accountants since March 2016. He has been also a member of CPA Australia since July 2013.

Mr. Yu is currently working as a senior investment manager of Fullshare Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 607), since January 2016. He was employed by PricewaterhouseCoopers Limited, an international accounting firm, as an associate in the assurance practice in September 2010. He was transferred to advisory practice in August 2013 and was promoted several times. He left the firm in January 2016 and was last served as a manager of the firm.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Yu is the son of Mr. Yu Cheung Choy, the chairman of our Board and our executive Director.

Mr. Yu has not been a director of any listed companies in the last three years.

### Independent non-executive Directors

**Mr. Lam Yim Nam** (林炎南), aged 64, is our independent non-executive Director, the chairman of the remuneration committee and a member of the audit and nomination committees of our Company. He is responsible for overseeing the management of our Group independently.

Mr. Lam obtained a master degree in business administration from The Chinese University of Hong Kong in Hong Kong in December 1995. He also obtained a bachelor degree of business administration with honours from The Chinese University of Hong Kong in Hong Kong in July 1980.

Mr. Lam has held several positions in various banks. He has been an independent director of Shenzhen Rural Commercial Bank since May 2012. He was the deputy chief executive of Bank of China (Hong Kong) Limited from October 2001 to April 2011, and was responsible for overseeing retail banking business. He also held various positions in the group companies of Bank of China Group and Bank of China (Hong Kong) Limited, from August 1980 to April 2011, and was responsible for managing the business operations of the group companies.

Mr. Lam has been an honorary adviser of The Hong Kong Institute of Bankers since 2011. He was a visiting professor of the Vocational Training Council from September 2011 to August 2015. He was an adjunct professor in the department of finance of The Chinese University of Hong Kong from March 2011 to 28 February 2014. He was a member of Hong Kong Banking Industry Training Advisory Committee from August 2010 to July 2012. He was a director of Community Chest of Hong Kong from June 2006 to March 2011. He was a member of Mandatory Provident Fund Schemes Advisory Committee from April 2009 to March 2011. He was a member of the Chongqing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議重慶市委員會) from January 2008 to December 2012.

Mr. Lam was a director of the following foreign company registered in Hong Kong prior to its cessation of place of business in Hong Kong and dissolution:

<u>Company</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of cessation of place of business in Hong Kong and dissolution</u>	<u>Means of dissolution</u>
The National Commercial Bank Limited	Banking services	10 July 2002	Merged into the group of Bank of China (Hong Kong) Limited



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Lam confirmed that there was no wrongful act on his part leading to the cessation of place of business in Hong Kong and dissolution and is not aware of any actual or potential claim that has been or will be made against him as a result of the cessation of place of business in Hong Kong and dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the cessation of place of business and dissolution of the above company.

Mr. Lam has not been a director of any listed companies in the last three years.

**Mr. Lee Wing Kee (李永基)**, aged 63, is our independent non-executive Director, the chairman of nomination committee and member of the audit and remuneration committees of our Company. He is responsible for overseeing the management of our Group independently.

Mr. Lee obtained a bachelor degree of science (engineering) (civil engineering) from the Queen Mary College, University of London in the United Kingdom in August 1976. He has been a member of the Hong Kong Institution of Engineers in Hong Kong since August 1983 and a member of the Institution of Civil Engineers in the United Kingdom since December 1981. He is currently a registered professional engineer under the Hong Kong Institution of Engineers.

Mr. Lee joined Shui On Building Contractors Limited in April 1985 and held various positions in the company. Among the various positions he held, he was the deputy managing director of SOCAM Asset Management (HK) Limited from July 2013 to June 2016. He was the deputy managing director of Shui On Construction Company Limited from July 2013 to July 2014 and the executive director of Shui On Construction Company Limited from October 2000 to June 2013. SOCAM Asset Management (HK) Limited, Shui On Construction Company Limited and Shui On Building Contractors Limited are subsidiaries of SOCAM Development Limited, a company listed on the Main Board of the Stock Exchange (stock code: 983).

Mr. Lee was a member of the disciplinary board panel of the Commissioner for Labour from March 2009 to February 2015. He was a member of the Committee on Employees' Compensation from January 2009 to December 2014. He was the chairman of Construction Workers Qualification Committee of Construction Workers Registration Authority from May 2006 to October 2010. He was a council member of Hong Kong Construction Association from April 2003 to June 2016, the vice president of Hong Kong Construction Association from 2005 to 2013 and the chairman of the building committee of Hong Kong Construction Association from 2005 to 2013 respectively. He was a member of Construction Workers Registration Authority of Environment, Transport and Works Bureau from October 2004 to October 2010. He was a member of Building Sub-committee of Land and Building Advisory Committee from April 2003 to March 2007 and a member of Construction Industry Training Authority of Construction Industry Training Authority from September 2003 to May 2007. He was the deputy honorary treasurer of The Hong Kong Construction Association, Ltd., the chairman of the Training Sub-committee and the vice chairman of the Training, Health and Safety Committee of The Hong Kong Construction Association Ltd. from 2003 to 2005 respectively.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Lee was a director of the following company incorporated in Hong Kong prior to its dissolution:

<u>Company</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
City Engineering Limited 萬國工程有限公司	Construction services	3 October 2008	Dissolved by deregistration by the Registrar of Companies of Hong Kong as defunct company pursuant to section 291AA of the Predecessor Companies Ordinance

Mr. Lee confirmed that there was no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolution of the above company.

Mr. Lee has not been a director of any listed companies in the last three years.

**Mr. To Yan Ming Edmond (杜恩鳴)**, aged 44, is our independent non-executive Director, the chairman of audit committee and member of the nomination and remuneration committees of our Company. He is responsible for overseeing the management of our Group independently.

Mr. To obtained a bachelor degree of commerce accounting from Curtin University of Technology in Western Australia in February 1996. He is currently a certified public accountant practicing in Hong Kong. He has been a member of CPA Australia and Hong Kong Institute of Certified Public Accountants since May 1999 and May 2000, respectively.

Mr. To has been a director of R.C.W (HK) CPA Limited since November 2011, and has been responsible for the overall operation of the firm. He has been a director of Asian Alliance (HK) CPA Limited (formerly known as Zhonglei (HK) CPA Company Limited) since July 2009, and has been responsible for the overall operations of the assurance and business department. He has been a director of Edmond To CPA Limited since October 2007, and has been responsible for the overall operation of the firm. He worked in Deloitte Touche Tohmatsu, an international accounting firm, from August 1997 to September 2001 with his last position as senior accountant responsible for providing audit services.

Mr. To was previously an independent non-executive director of China Household Holdings Limited (stock code: 692) (formerly known as Ching Hing (Holdings) Limited and Bao Yuan Holdings Limited) from April 2012 to December 2015, Theme International Holdings Limited (stock code: 990) from November 2009 to May 2015, and BEP International Holdings Limited (stock code: 2326) from June 2009 to December 2013, companies listed on the Main Board of Stock Exchange. He is currently an independent non-executive director of Wai Chun Mining Industry Group Limited (stock code: 660), Wai Chun Group Holdings Limited (stock code: 1013), Tianli Holdings Group Limited (stock code: 117), Birmingham International Holdings Limited (stock code: 2309), EPI (Holdings) Limited (stock

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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code: 689) and Courage Marine Group Limited (stock code: 1145), companies listed on the Main Board of Stock Exchange. He is also an independent non-executive director of China Vanguard Group Limited (stock code: 8156), a company listed on the Growth Enterprise Market of the Stock Exchange. He is a founder of Arcus Charitable Foundation Limited, a charitable institution or trust of a public character, since August 2014 and has been appointed as its chairman since December 2015.

Save as disclosed above, Mr. To has not been a director of any other listed companies in the last three years.

Mr. To was a director of the following company incorporated in Hong Kong prior to its dissolution:

<b>Company</b>	<b>Principal business activities prior to dissolution</b>	<b>Date of dissolution</b>	<b>Means of dissolution</b>
Highford Polymers Company Limited 海富化工有限公司	Trading of plastic materials	22 June 2007	Dissolved by deregistration by the Registrar of Companies of Hong Kong as defunct company pursuant to section 291AA of the Predecessor Companies Ordinance

Mr. To confirmed that there was no wrongful act on his part leading to the dissolution and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution, and that his involvement in the above company was part and parcel of his services as its director and that no misconduct or misfeasance had been involved in the dissolution of the above company.

Save as disclosed above, each of our Directors confirms with respect to him that: (i) there is no other information that should be disclosed for him pursuant to Rule 13.51(2) of the Listing Rules; and (ii) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

### Senior management

**Mr. Lee Yui (李睿)**, aged 45, is the project director of Shun Hing HK. He joined our Group in October 2006 as project manager and was promoted to project director in April 2016. He is primarily responsible for overseeing and managing project administration and business marketing.

Mr. Lee obtained a master degree of science in engineering (mechanical engineering) from The University of Hong Kong in November 2001. He obtained a bachelor of engineering in mechanical engineering from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in November 1994. He obtained a higher diploma in mechanical engineering from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in October 1992.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Lee has over 21 years of experience in E&M engineering services industry. Prior to joining our Group, he was a project manager in Hanme Engineering Company Limited, a building and construction services company, from November 2001 to September 2006, and was responsible for MVAC installation. He was an engineer in Ryoden Contracting Engineering Company Limited, an electrical and mechanical engineering contractor company, from August 2000 to October 2001, and was responsible for MVAC installation. He was also an engineer in Dah Chong Hong (Engineering) Limited, an engineering contractor company, from November 1994 to October 2000, and was responsible for MVAC installation.

Mr. Lee has been a chartered engineer of the Engineering Council (UK) since August 2003. He has been a member of The Hong Kong Institution of Engineers since January 2016. He has been a fellow of the Institute of Plant Engineers in the United Kingdom since February 2003. He is also the authorised signatory in the category of minor works contractors Types A and E (Classes II and III) with the Buildings Department for Shun Hing HK.

Mr. Lee has not been a director of any listed companies in the last three years.

**Mr. Lee Chun Mo (李振武)**, aged 47, is the senior project manager of Shun Hing HK. He joined our Group in March 2002 as project manager and was promoted to senior project manager in April 2016. He is primarily responsible for overseeing and managing project execution, operation and cost control matters.

Mr. Lee obtained a bachelor of engineering in building services engineering with first class honours from The Hong Kong Polytechnic University in December 2005. He was awarded a higher certificate in mechanical engineering from The Hong Kong Polytechnic University (formerly known as The Hong Kong Polytechnic) in November 1991. He is also the authorised signatory in the category of Ventilation Works, and the category of minor works contractors Type E (Classes I, II and III) with the Buildings Department for Shun Hing HK.

Mr. Lee has over 21 years of experience in E&M engineering services industry. Prior to joining our Group, he was an assistant project manager in ITE Engineering Limited, a control and automation engineering company, from July 2001 to February 2002, and is responsible for tendering estimation, project execution, budgeting and cost control, monitoring site progress, handling meetings, coordination and design verification. He was employed by Dah Chong Hong (Engineering) Limited, an engineering contractor company, from July 1987 to August 2001. His last position before he left Dah Chong Hong (Engineering) Limited was a senior engineer, and was responsible for tendering estimation, project execution, site coordination, monitoring site progress, handling meetings, coordination and design verification.

Mr. Lee has not been a director of any listed companies in the last three years.

**Mr. Lo Siu Kee (羅紹琪)**, aged 41, is the project manager of Shun Hing HK. He joined our Group in August 2005 as a project engineer. He is primarily responsible for overseeing tender estimation and preparation, project execution, reviewing and controlling project budgeting, coordinating with customers and other parties and carrying out design and design verification works.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Lo obtained a bachelor degree of engineering in building services engineering from The Hong Kong Polytechnic University in November 1997. He is also the authorised signatory in the category of minor works contractors Types A and E (Classes II and III) with the Buildings Department for Shun Hing HK.

Mr. Lo has over 18 years of experience in E&M engineering services industry. Prior to joining our Group, he was an engineer in Takasago Thermal Engineering Co Ltd., a company specialising in MVAC system services, from July 1997 to July 2005, and was responsible for tendering estimation, project execution, site coordination, monitoring site progress, handling meetings, coordination and design verification.

Mr. Lo has not been a director of any listed companies in the last three years.

**Mr. Lee Foo Kwan (李富坤)**, aged 44 is the project manager of Shun Hing HK. He joined our Group in July 2002 as a project engineer and was promoted to project manager in April 2016. He is primarily responsible for overseeing tender estimation and preparation, project execution, reviewing and controlling project budgeting, coordinating with customers and other parties and carrying out design and design verification works.

Mr. Lee obtained a master degree of science in project management from The Hong Kong Polytechnic University in October 2008. He obtained a bachelor degree of engineering in mechanical engineering from The Hong Kong Polytechnic University in November 1996. He is currently a registered professional engineer (mechanical) registered under the Engineers Registration Board. He has been a member of The Hong Kong Institution of Engineers since June 2011, a member of The Institution of Mechanical Engineers in the United Kingdom since January 2011, a member of American Society of Heating, Refrigerating and Air-conditioning Engineers, Inc. since January 2011 and a member of the Chartered Institution of Building Services Engineers in Hong Kong since October 2011. He is also the authorised signatory in the category of minor works contractors Types A and E (Classes II and III) with the Buildings Department for Shun Hing HK.

Mr. Lee has over 18 years of experience in E&M engineering services industry. Prior to joining our Group, he was an engineer in Far East Engineering Services Limited, an electrical and mechanical engineering services company, from June 2000 to June 2002, and was responsible for providing engineering services. He was an assistant engineer in Krueger Engineering (Asia) Limited, a building and engineering service company, from June 1998 to January 2000, and was responsible for providing on site engineering services. He was a mechanical engineer in DHV AIB Asia Pacific Limited, an engineering consultant company, from November 1997 to May 1998, and was responsible for engineering design. He was also an assistant engineer in Sino Estates Management Limited, a property management company, from October 1996 to October 1997, and was responsible for engineering maintenance.

Mr. Lee has not been a director of any listed companies in the last three years.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Chan Ho Kei (陳浩基)**, aged 29, is the financial controller of our Group. He joined our Group in March 2016 as a financial controller. He is primarily responsible for managing the financial operations and accounting functions of our Group.

Mr. Chan obtained a bachelor degree in business administration (major in professional accountancy) from The Chinese University of Hong Kong in July 2010.

Mr. Chan has over five years of experience in accounting and assurance services. Prior to joining our Group, he was employed by PricewaterhouseCoopers Limited, an international accounting firm, as a manager in the assurance department, from October 2010 to March 2016, and was responsible for providing audit services.

He has been a certified public accountant under Hong Kong Institute of Certified Public Accountants since January 2014.

Mr. Chan has not been a director of any listed companies in the last three years.

### COMPANY SECRETARY

**Mr. Tse Kam Fai (謝錦輝)**, aged 53, was appointed as the company secretary of our Company on 9 May 2016. Mr. Tse has been a fellow member of The Institute of Chartered Secretaries and Administrators since October 2013 and The Hong Kong Institute of Chartered Secretaries since October 2013 respectively. He is also a member of The Hong Kong Institute of Directors.

Mr. Tse has more than 20 years of experience in handling listed company secretarial and compliance related matters. He is also an executive director of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Mr. Tse is currently the company secretary of China Metal International Holdings Inc. (stock code: 0319), Synertone Communication Corporation (stock code: 1613) and Target Insurance (Holdings) Limited (stock code: 6161), companies listed on the Main Board of the Stock Exchange, and Heng Xin China Holdings Limited (stock code: 8046) and Neo Telemedia Limited (stock code: 8167), companies listed on the Growth Enterprise Market of the Stock Exchange.

### BOARD COMMITTEES

#### Audit committee

Our Company established an audit committee on 6 December 2016 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. The primary duties and roles of our audit committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of four members, namely, Mr. To Yan Ming Edmond, Mr. Lam Yim Nam, Mr. Lee Wing Kee and Mr. Yu Ho Chi. Mr. To Yan Ming Edmond has been appointed as the chairman of our audit committee, and is our independent non-executive Director with the appropriate professional qualifications. Please refer to the paragraph headed “— Directors” in this section for the backgrounds of the members of our audit committee.

### **Remuneration committee**

Our Company established a remuneration committee on 6 December 2016 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code has been adopted. The primary duties and roles of our remuneration committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving our management’s remuneration proposals with reference to our Board’s corporate goals and objectives; and (c) making recommendations to our Board on the remuneration of non-executive Directors.

Our remuneration committee consists of three members, namely, Mr. Lam Yim Nam, Mr. Lee Wing Kee and Mr. To Yan Ming Edmond. Mr. Lam Yim Nam is the chairman of our remuneration committee. Please refer to the paragraph headed “— Directors” in this section for the backgrounds of the members of our remuneration committee.

### **Nomination committee**

Our Company established a nomination committee on 6 December 2016 in compliance with paragraph A.5.1 of the Corporate Governance Code. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code has been adopted. The primary duties and roles of our nomination committee include, but are not limited to, (a) reviewing the structure, size and composition and diversity (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors.

Our nomination committee consists of three members, namely, Mr. Lee Wing Kee, Mr. Lam Yim Nam and Mr. To Yan Ming Edmond. Mr. Lee Wing Kee has been appointed as the chairman of our nomination committee. Please refer to the paragraph headed “— Directors” in this section for the backgrounds of the members of our nomination committee.

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **COMPLIANCE ADVISER**

We have appointed Innovax Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances: (a) before the publication of any regulatory announcement, circular or financial report; (b) where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including share issue and share repurchases; (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and (d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

### **CORPORATE GOVERNANCE**

Our Directors aim to achieve high standards of corporate governance which is crucial to the development of our Group and safeguard the interests of our Shareholders. To accomplish this, our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules.

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our Directors and senior management personnel receive remuneration in the form of salaries, discretionary bonuses, retirement benefit scheme contributions and other benefits. We determine the salaries of our Directors (including our independent non-executive Directors) and senior management personnel based on each Director's and senior management personnel's qualification, position and seniority. The aggregate amount of remuneration (including salaries, discretionary bonuses and retirement benefit scheme contributions) paid to our Directors for each of the three years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 amounted to approximately HK\$2.3 million, HK\$2.9 million, HK\$2.8 million and HK\$0.8 million respectively.

The aggregate amount of remuneration (including salaries, discretionary bonuses, retirement benefit scheme contributions and other benefits) paid to the five highest paid individuals of our Group for each of the three years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 amounted to approximately HK\$4.5 million, HK\$5.3 million, HK\$5.1 million and HK\$1.3 million, respectively.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for 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 emolument during the same period.

Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2017 are expected to be approximately HK\$3.6 million. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Our Directors (excluding our independent non-executive Directors) and senior management personnel are entitled to participate in the Share Option Scheme, the principal terms of which are set out under the section headed “Statutory and general information — D. Share Option Scheme” in Appendix V to this prospectus.

For details of our Directors’ remuneration during the Track Record Period, please refer to the section headed “Accountants’ Report — 8. Directors’ and employees’ emoluments” in Appendix I to this prospectus and for details of our Directors’ remuneration upon the Listing, please refer to the section headed “Statutory and general information — C. Disclosure of interest — 4. Directors’ emoluments” in Appendix V to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of Global Offering, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the par value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Shareholders:

Name	Nature of interest	Immediately prior to the completion of the Global Offering and the Capitalisation Issue		Immediately following the completion of the Global Offering and the Capitalisation Issue	
		Number of shares held <sup>(Note 3)</sup>	% of shareholding	Number of shares held <sup>(Note 3)</sup>	% of shareholding
Prosperously Legend <sup>(Note 1)</sup>	Beneficial owner <sup>(Note 4)</sup>	820	82%	246,000,000(L)	61.5%
Mr. Yu <sup>(Note 1)</sup>	Interests held jointly with another person; interest in a controlled corporation <sup>(Note 4)</sup>	820	82%	246,000,000(L)	61.5%
Simply Grace <sup>(Note 2)</sup>	Beneficial owner <sup>(Note 4)</sup>	180	18%	54,000,000(L)	13.5%
Mr. Lau <sup>(Note 2)</sup>	Interests held jointly with another person; interest in a controlled corporation <sup>(Note 4)</sup>	180	18%	54,000,000(L)	13.5%

Notes:

- Prosperously Legend is wholly-owned by Mr. Yu.
- Simply Grace is wholly-owned by Mr. Lau.
- The letter “L” denotes the person’s long position in our Shares.
- On 7 July 2016, Mr. Yu and Mr. Lau entered into the Acting-in-concert Confirmation, whereby they confirmed that among other things, since 21 July 2004, they have been actively cooperating with one another and acting in concert, with an aim to achieving consensus and concerted action on all operating and financing decisions and major affairs relating to each member company within our Group. For details of the acting in concert arrangement, please refer to the section headed “History, reorganisation and corporate structure — Acting-in-concert Confirmation” in this prospectus.

If the Over-allotment Option is fully exercised, each of Mr. Yu, Prosperously Legend, Mr. Lau and Simply Grace will be interested in approximately 59.3%, 59.3%, 13.0% and 13.0%, respectively. Except as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of the Share Option Scheme), have an interest or a short position in the Shares which will be required to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the par 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.

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## SHARE CAPITAL

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### SHARE CAPITAL

Without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000</u> Shares	<u>100,000,000</u>

*Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:*

1,000	Shares in issue at the date of this prospectus	10
319,999,000	Shares to be issued pursuant to the Capitalisation Issue	3,199,990
<u>80,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>800,000</u>
<u>400,000,000</u>	Total	<u>4,000,000</u>

### Assumptions

The above table assumes that the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering. It does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; and (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below.

If the Over-allotment Option is exercised in full, then 15,000,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK\$4,150,000 divided into 415,000,000 Shares.

### 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 100,000,000 Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

### RANKING

The Global Offering Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date other than participation in the Capitalisation Issue.

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## SHARE CAPITAL

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### CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 6 December 2016, subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to allot and issue a total of 319,999,000 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company in proportion to their shareholdings (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\$3,199,990 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “— General mandate to repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

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## SHARE CAPITAL

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For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 6 December 2016” in Appendix V to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

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

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and general information — A. Further information about our Company — 6. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — A. Further information about our Company — 6. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### **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.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of and any confirmation or consent required by the Cayman Islands Companies Law, reduce its share capital, any capital redemption reserve or other distributable reserve in any manner permitted by law by its shareholders passing a special resolution. For further details, please refer to the section headed “Summary of the constitution of our Company and Cayman company law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may, unless otherwise provided 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 our Shares of that class. For further details, please refer to the section headed “Summary of the constitution of our Company and Cayman company law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited consolidated financial information for the three years ended 31 March 2016 and the three months ended 30 June 2016, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States. For further information, please see the section headed "Accountants' Report" in Appendix I to this prospectus. Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk factors" and "Forward-looking statements" in this prospectus.*

### OVERVIEW

We have been providing E&M engineering services for almost 30 years. Our operating entity, Shun Hing HK, is currently registered as a specialist contractor (sub-register of ventilation works) and a minor works contractor (company) Type A (Classes II and III) and Type E (Classes I, II and III) under the Buildings Department, Registered Electrical Contractor under the EMSD, registered subcontractor in the List of Registered Subcontractor under the CIC, and an approved contractor on the Specialist List under "Air-conditioning Installation" (Group II) and "Electrical Installation" (Group II) (on probation) category of works under the WBDB. For details of these qualifications, please refer to the section headed "Business — Licences, permits and approvals" in this prospectus. For details of our Group's applicable regulatory requirements in relation to these qualifications, please refer to the section headed "Regulatory overview" in this prospectus.

We mainly undertake projects that are related to the supply, installation and maintenance of the following systems depending on our customers' needs and engagement:

- (i) MVAC system, which refers to mechanical ventilation and air-conditioning system;
- (ii) low voltage electrical system, which refers to the power system that provides electricity to other systems such as the MVAC system and lighting system; and
- (iii) other E&M systems such as:
  - fire services, which includes fire prevention, detection, suppression and extinguishing systems; and

## FINANCIAL INFORMATION

- plumbing and drainage system, the plumbing system provides clean and stable water supply and the drainage system removes waste water and rainwater through drainage system into the city's sewage system.

For details of our different categories of E&M engineering services, please refer to the section headed “— Business model and operations” in this prospectus.

During the Track Record Period, we have undertaken over 180 E&M engineering service projects in Hong Kong, nine of which were projects with contract value over HK\$50 million. These projects are all located in Hong Kong. These projects cover E&M engineering services over MVAC system, low voltage electrical system, and other E&M systems.

During the three years ended 31 March 2016 and the three months ended 30 June 2016, all of our revenue was derived from our E&M engineering services provided in Hong Kong. We recorded an aggregate revenue of approximately HK\$750.6 million during the Track Record Period, which amounted to approximately HK\$330.8 million, HK\$183.8 million and HK\$190.2 million for each of the three years ended 31 March 2016, respectively and HK\$45.8 million for the three months ended 30 June 2016.

The following tables set forth breakdown of our Group's revenue by types of E&M engineering services, types of projects and sectors respectively during the Track Record Period:

	For the year ended 31 March						For the three months ended 30 June			
	2014		2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
MVAC system	320,355	96.8	171,821	93.5	186,967	98.3	42,014	98.9	44,991	98.3
Low voltage electrical system	8,878	2.7	11,809	6.4	1,998	1.0	—	—	253	0.6
Other E&M systems	1,539	0.5	158	0.1	1,277	0.7	452	1.1	508	1.1
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>183,788</b>	<b>100.0</b>	<b>190,242</b>	<b>100.0</b>	<b>42,466</b>	<b>100.0</b>	<b>45,752</b>	<b>100.0</b>

	For the year ended 31 March						For the three months ended 30 June			
	2014		2015		2016		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	134,418	40.6	67,516	36.7	133,634	70.2	21,980	51.8	15,183	33.2
Non-residential	196,354	59.4	116,272	63.3	56,608	29.8	20,486	48.2	30,569	66.8
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>183,788</b>	<b>100.0</b>	<b>190,242</b>	<b>100.0</b>	<b>42,466</b>	<b>100.0</b>	<b>45,752</b>	<b>100.0</b>



## FINANCIAL INFORMATION

	For the year ended 31 March						For the three months ended 30 June			
	2014		2015		2016		2015		2016	
	% of total		% of total		% of total		% of total		% of total	
	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue	Revenue	revenue
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	274,528	83.0	164,031	89.3	156,475	82.3	26,392	62.1	30,481	66.6
Public sector	56,244	17.0	19,757	10.7	33,767	17.7	16,074	37.9	15,271	33.4
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>183,788</b>	<b>100.0</b>	<b>190,242</b>	<b>100.0</b>	<b>42,466</b>	<b>100.0</b>	<b>45,752</b>	<b>100.0</b>

*Note:*

If a project involves provision of more than one type of E&M engineering services, it will be categorised into the type of E&M engineering service with largest proportion of contract value.

### SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as at 31 March 2014, 2015 and 2016, our consolidated statements of profit and loss and other comprehensive income for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 and our consolidated statement of cash flows for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 set forth in this section are derived from the Accountants' Report set out in Appendix I to this prospectus, and should be read in conjunction with the Accountants' Report and with the paragraph headed "— Discussion of results of operations" in this section below.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

#### Construction activities in Hong Kong

We provide E&M engineering services with major focus on the supply, installation and maintenance of MVAC system and low voltage electrical system to both residential and non-residential projects in Hong Kong. Our project mix may vary from time to time due to the changing demand of our customers. For instance, our revenue from residential projects became more significant in the year ended 31 March 2016 as a result of the growth in supply in both public and private housing in recent years. For the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, the revenue contributed by our residential projects are HK\$134.4 million, HK\$67.5 million, HK\$133.6 million and HK\$15.2 million, representing approximately 40.6%, 36.7%, 70.2% and 33.2% of our total revenue, respectively. Accordingly, changes in construction activities in

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## FINANCIAL INFORMATION

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Hong Kong could have significant impact on the demand for our services and therefore, significant impact on our business and results of operations. For details of our residential and non-residential projects, please refer to the section headed “Business — Our projects — Residential and non-residential projects” in this prospectus.

### **Awarding of tenders**

Our Group’s ability to compete for and secure sizeable and profitable projects is one of the main contributors to our success as well as a key to maintain our profitability. Our E&M engineering business is usually secured by tenders. For the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, the revenue contributed by projects awarded by tenders are HK\$321.0 million, HK\$178.7 million, HK\$188.5 million and HK\$45.5 million, representing approximately 97.1%, 97.2%, 99.1% and 99.5% of the total revenue, respectively. Thus, our business operates on a project-by-project basis and our customers may vary from year to year.

During the Track Record Period and up to the Latest Practicable Date, we have received invitations for tenders for various types of E&M engineering services in public/private sectors and residential/non-residential projects for a spectrum of contract value. In deciding whether to proceed with specific tenders or not, we have to evaluate the manageability and profitability of such projects with reference to our resources, capacity and capability.

Please refer to the section headed “Business — Operational workflow — Tendering strategy” in this prospectus for our number of tender submission and success rate by types of project and types of E&M engineering services and by range of contract value during the Track Record Period.

In the event that our Group is unable to be awarded new contracts, our revenue and financial performance may be adversely affected.

### **Subcontracting fees, equipment and material costs**

Our subcontracting fees accounted for approximately 56.2%, 48.9% and 52.8% and 61.6% of our actual costs during the Track Record Period, respectively, whereas our equipment and material costs accounted for approximately 35.4%, 35.9%, 26.5% and 16.4% of our actual costs during the Track Record Period, respectively. Our subcontracting fees and equipment and material costs may fluctuate after projects are secured and may deviate from our estimation during tendering stage. In the event that the subcontracting fees or the equipment and material costs increase unexpectedly to the extent that our Group has to incur substantial extra costs without corresponding increase in our project revenue, our financial performance and profitability will be adversely affected.

From time to time, we procure certain services from subcontractors for some of our projects. These projects may require such subcontractors to provide special equipment and/or to source and supply materials. These subcontractors may also carry out the installation works directly. Accordingly, our subcontracting fees therefore may vary depending on the level of labour work and materials involved in the project.

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## FINANCIAL INFORMATION

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Our equipment and material costs were principally related to the equipment, materials and consumables used on the work sites procured by us for our E&M engineering service business, which were usually delivered to the work sites directly. Major equipment and materials were ordered based on specifications set out in the relevant contract and needed to pass through the approval process by the customer's representatives. As set out in the section headed "Business — Customers — Pricing strategies", for projects which allowed greater flexibility in the selection of suppliers, we sourced specifications-matching equipment and materials deployed at the most competitive pricing terms. In addition, supplier may offer price reduction, taking into account factors including purchase quantity, exchange rates, cost of materials, market competition and whether the supplier is desirous of providing the equipment and materials in specific projects. As a result, our equipment and material costs may vary depending on whether flexibility was allowed in the selection of suppliers and equipment, and whether we could obtain discount for such equipment and materials deployed in our projects.

In setting our tender prices, we take into account, including but not limited to, subcontracting fees and equipment and material costs. Accordingly, the changes in subcontracting fees and equipment and material costs shall also be reflected in our tender submission. The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our subcontracting fees, equipment and material costs on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remained constant. Fluctuations in our subcontracting fees included in our total actual costs are assumed to be 3%, 6% and 9% and fluctuations in our material costs included in our total actual costs are assumed to be 4%, 6% and 8%, which are determined with reference to the historical fluctuations in our subcontracting fees, equipment and material costs during the Track Record Period.

***Hypothetical fluctuations of our subcontracting fees included in our total actual costs***

	<u>+/- 3%</u>	<u>+/- 6%</u>	<u>+/- 9%</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Increase/decrease in subcontracting fees</b>			
For the year ended 31 March 2014	+/-4,592	+/-9,183	+/-13,775
For the year ended 31 March 2015	+/-2,542	+/-5,085	+/-7,627
For the year ended 31 March 2016	+/-2,190	+/-4,380	+/-6,570
For the three months ended 30 June 2016	+/-824	+/-1,647	+/-2,471
<b>Decrease/increase in profit before tax</b>			
For the year ended 31 March 2014	-/+4,592	-/+9,183	-/+13,775
For the year ended 31 March 2015	-/+2,542	-/+5,085	-/+7,627
For the year ended 31 March 2016	-/+2,190	-/+4,380	-/+6,570
For the three months ended 30 June 2016	-/+824	-/+1,647	-/+2,471

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## FINANCIAL INFORMATION

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*Hypothetical fluctuations of our equipment and material costs included in our total actual costs*

	+/- 4%	+/- 6%	+/- 8%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Increase/decrease in equipment and material costs</b>			
For the year ended 31 March 2014	+/-3,862	+/-5,793	+/-7,724
For the year ended 31 March 2015	+/-2,485	+/-3,727	+/-4,969
For the year ended 31 March 2016	+/-1,466	+/-2,199	+/-2,932
For the three months ended 30 June 2016	+/-293	+/-439	+/-586
<b>Decrease/increase in profit before tax</b>			
For the year ended 31 March 2014	-/+3,862	-/+5,793	-/+7,724
For the year ended 31 March 2015	-/+2,485	-/+3,727	-/+4,969
For the year ended 31 March 2016	-/+1,466	-/+2,199	-/+2,932
For the three months ended 30 June 2016	-/+293	-/+439	-/+586

### **Direct labour costs**

We had 48, 57, 61, 69 and 73 direct labour, as at 31 March 2014, 2015, 2016, 30 June 2016 and the Latest Practicable Date, respectively. Our direct labour costs amounted to approximately HK\$15.4 million, HK\$19.7 million and HK\$23.3 million for the three years ended 31 March 2014, 2015 and 2016, respectively and HK\$6.5 million for the three months ended 30 June 2016. In setting our tender prices, we take into account, including but not limited to, direct labour cost. Therefore, both our revenue and operating costs will be affected by the fluctuation in the direct labour cost.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our direct labour costs included in our total costs on our profit before tax during the Track Record Period, assuming all other variables, including our revenue and number of headcounts, remained constant. Fluctuations in our direct labour costs are assumed to be 5%, 10% and 15%, which are determined with reference to the historical fluctuations in our direct labour costs during the Track Record Period.

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## FINANCIAL INFORMATION

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### *Hypothetical fluctuations of our direct labour costs included in our total actual costs*

	<i>+/- 5%</i>	<i>+/- 10%</i>	<i>+/- 15%</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Increase/decrease in actual direct labour costs</b>			
For the year ended 31 March 2014	+/-771	+/-1,542	+/-2,313
For the year ended 31 March 2015	+/-983	+/-1,965	+/-2,948
For the year ended 31 March 2016	+/-1,163	+/-2,327	+/-3,490
For the three months ended 30 June 2016	+/-327	+/-653	+/-980
<b>Decrease/increase in profit before tax</b>			
For the year ended 31 March 2014	-/+771	-/+1,542	-/+2,313
For the year ended 31 March 2015	-/+983	-/+1,965	-/+2,948
For the year ended 31 March 2016	-/+1,163	-/+2,327	-/+3,490
For the three months ended 30 June 2016	-/+327	-/+653	-/+980

### **Ability to maintain service standards and works quality, and complete our projects on a timely basis**

The contracts of our E&M engineering services projects usually require us to make good any defect in the defect liability period as part of our quality assurance. If there are quality problems in relation to our services or delay in our projects, we may be subject to fine or penalty. Moreover, service standard and works quality are usually one of the considerations in awarding tenders by our customers. If we are unable to maintain service standards and works quality or to complete our projects on a timely basis, our financial performance may be adversely affected. As set out in the section headed “Business — Customers — Pricing strategies”, to avoid having adverse impact to our financial performance resulted from excessive tendering, we take into account various factors, including but not limited to, our resources, capacity and capability at the relevant time before deciding whether we will pursue specific tender opportunities available.

### **Government legislation and regulation changes**

In order to tender for public sector contracts, a contractor is usually required to be on the appropriate List of Approved Contractors. Any changes or alterations of government legislation and regulations may require us to make necessary corresponding adjustments of whatever kind and nature to meet any new requirements and/or standards resulting from such changes, thus requiring us to incur extra costs. In the event that we are unable to make necessary corresponding adjustments on a timely manner, our ability to tender for new projects and our revenue, may be adversely affected.

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## FINANCIAL INFORMATION

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### Labour supply

Our E&M engineering services may involve certain labour intensive works. The shortage of qualified employees may affect our ability to take up projects and our subcontractors' ability to deliver their service on a timely manner, and may result in delay in completion of our works which may adversely affect our financial performance.

### Accuracy in the estimation of time and costs involved in projects when submitting tenders

Our revenue depends on the size and number of tenders awarded on project-by-project basis. Our Group needs to estimate the time and costs involved in a project in order to determine the price in our tender submissions. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key staff involved in the project, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect our Group's profit margin and results of operations.

### BASIS OF PRESENTATION

Our audited consolidated financial information set forth in Appendix I to this prospectus has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) under the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period.

Pursuant to the Reorganisation, our Company has become the holding company of the companies now comprising our Group. Our Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Relevant Periods or since their respective date of incorporation, where there is a shorter period. Accordingly, our audited consolidated financial information set forth in Appendix I to this prospectus has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting Under Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period.

The consolidated statements of financial position of our Group as at 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our Group's financial position and results of operations contained in this prospectus is based on the consolidated financial statements prepared using the significant accounting policies set forth in note 3 of the Accountants' Report set out in Appendix I to this prospectus, which conform with the HKFRSs.

Our Directors believes that certain significant accounting policies are important to the presentation of its financial results and positions, which are set out below:

#### Revenue recognition

For details of our accounting policies regarding revenue recognition, please refer to the section headed "Accountants' Report — (A) Notes to the financial information — 3. Significant accounting policies — Revenue recognition" in Appendix I to this prospectus.

#### Property and equipment

For details of our accounting policies regarding property and equipment, please refer to the section headed "Accountants' Report — (A) Notes to the financial information — 3. Significant accounting policies — Property and equipment" in Appendix I to this prospectus.

#### Impairment loss on tangible assets

For details of our accounting policies regarding impairment loss on tangible assets, please refer to the section headed "Accountants' Report — (A) Notes to the financial information — 3. Significant accounting policies — Impairment loss on tangible assets" in Appendix I to this prospectus.

#### Engineering service contracts

For details of our accounting policies regarding engineering service contracts, please refer to the section headed "Accountants' Report — (A) Notes to the financial information — 3. Significant accounting policies — Engineering service contracts" in Appendix I to this prospectus.

### KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies, which are described in note 3 of the Accountants' Report set out in Appendix I to this prospectus, management 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.

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## FINANCIAL INFORMATION

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

### **Engineering service contracts**

Our Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each engineering service contract as the contract progresses. Budgeted engineering service costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of engineering service contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going engineering service contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.



## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our selected consolidated statements of profit and loss and other comprehensive income for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 as extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Revenue	330,772	183,788	190,242	42,466	45,752
Direct costs	<u>(293,087)</u>	<u>(161,175)</u>	<u>(153,493)</u>	<u>(37,523)</u>	<u>(39,342)</u>
Gross profit	37,685	22,613	36,749	4,943	6,410
Other income	978	822	569	103	15
Other gains and losses	(1,114)	(1,044)	1,190	1,150	180
Administrative expenses	(6,549)	(7,089)	(7,877)	(2,012)	(2,937)
Listing expenses	—	—	(1,515)	—	(7,153)
Finance costs	<u>(723)</u>	<u>(570)</u>	<u>(515)</u>	<u>(114)</u>	<u>(115)</u>
Profit (loss) before taxation	30,277	14,732	28,601	4,070	(3,600)
Income tax expense	<u>(5,259)</u>	<u>(2,590)</u>	<u>(4,953)</u>	<u>(520)</u>	<u>(586)</u>
Profit (loss) for the year/period	<u>25,018</u>	<u>12,142</u>	<u>23,648</u>	<u>3,550</u>	<u>(4,186)</u>
Other comprehensive (expense) income:					
Items that may be reclassified subsequently to profit or loss:					
Fair value (loss) gain on available-for-sale financial assets	(820)	1,227	(682)	769	—
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets	(83)	(406)	(1,354)	(1,108)	—
Cumulative loss reclassified from equity to profit or loss upon impairment of available-for-sale financial assets	<u>958</u>	<u>836</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other comprehensive income (expense) for the year/period	<u>55</u>	<u>1,657</u>	<u>(2,036)</u>	<u>(339)</u>	<u>—</u>
Total comprehensive income (expense) for the year/period	<u>25,073</u>	<u>13,799</u>	<u>21,612</u>	<u>3,211</u>	<u>(4,186)</u>

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## FINANCIAL INFORMATION

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### DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED INCOME STATEMENT

#### Revenue

Our revenue was principally generated from projects that are related to the supply, installation and maintenance of the following systems, namely, (i) MVAC system, (ii) low voltage electrical system, and (iii) other E&M systems. All revenue of our Group are derived from Hong Kong.

Revenue from E&M engineering services accounted for all of our total revenue during the Track Record Period and primarily consists of service fees in respect of our supply, installation and maintenance services of MVAC system, low voltage electrical system and other E&M systems in Hong Kong. The revenue is primarily driven by the number, size, location and types of projects involved, nature of services to be provided and stage of completion of the projects which affect the timing of recognition of our revenue. Since we secure our projects mostly through tenders, our tender policy and tender performance may therefore affect our financial performance. To maintain stability and profitability of our business operations, we tender a mixture of projects covering different project sizes and project types. Upon our tender submission, it would be subject to customers' decision as to whether we are awarded with the projects.

There is generally a time lag between our submission of tender documents and the award of certain project as the customer needs time to decide which company will be awarded with the project. We may not commence site works immediately after we have been awarded with a project. The customer will issue a master programme setting out implementation period and order of the stages of the project and we will commence site work in accordance with such master programme, usually five to six months after we have been awarded with the project. We will utilise the period between awarding of project and commencement of site works for preparation works such as preparing budget and project plan, conducting site inspection, making arrangements with and supervising our subcontractors and suppliers and sourcing of equipment and accessories. In deciding whether to proceed with specific tenders or not, we have to evaluate the manageability and profitability of such projects with reference to our resources, capacity and capability.

Revenue is recognised based on the percentage of completion method, measured with reference to the value of work certified during the relevant time period. Usually, our Group makes progress payment application to the customer according to the contractual terms which sets out the amount and value of work done based on the amount of work completed. Upon receiving the progress payment application, the customer or its consultant will examine the portion of work completed and would issue a payment certificate after the examination. Our Group will then proceed to invoice the customer with the payment certificate received.

## FINANCIAL INFORMATION

For tables setting forth breakdown of our Group's revenue by types of E&M engineering services, types of projects and types of sector respectively during the Track Record Period, please refer to the paragraph headed "— Overview" in this section.

### *Key projects during the Track Record Period*

We recorded an aggregate revenue of approximately HK\$750.6 million from our E&M engineering services during the Track Record Period and set out below is the summary of sizeable projects during the Track Record Period, with contract value over HK\$50.0 million:

Customer	Sector (Public/ Private)	Type (Residential/ Non- residential)	Key Scope of Work	Date of letter of award or letter of acceptance	Revenue recognised					Status as at 30 June 2016	Total backlog revenue to be recognised after the Track Record Period
					For the year ended 31 March			For the three months ended 30 June 2016	Total revenue recognised during the Track Record Period		
					2014	2015	2016				
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Customer A	Private	Residential	MVAC works for proposed residential development at Lung Tin Tsuen, Yuen Long, New Territories	6 November 2012	90,075	11,807	514	1,536	103,932	Completed	—
Customer I	Private	Residential	MVAC works for a project in Tseung Kwan O, New Territories	7 August 2015	—	—	54,654	5,878	60,532	Ongoing	—
Penta-Ocean Construction Co., Ltd.	Public	Non-residential	MVAC works for a university campus at Chung Hau Street, Ho Man Tin, Kowloon	28 September 2012	53,920	1,703	2,038	—	57,661	Completed	—
Kin Shing (Leung's) General Contractors Limited	Private	Non-residential	MVAC works for a proposed food factory at Tai Po Industrial Estate, Tai Po, New Territories	22 August 2012	46,549	5,117	1,536	—	53,202	Completed	—
Customer N	Private	Non-residential	MVAC works for a remodelling project at Salisbury Road, Tsim Sha Tsui, Kowloon	20 June 2014	—	1,272	6,603	5,903	13,778	Ongoing	153,032
Customer M	Private	Non-residential	MVAC works for proposed commercial development at Wai Yip Street, Kwun Tong, Kowloon	30 March 2015	—	—	42	5,229	5,271	Ongoing	89,209
Customer I	Private	Residential	MVAC works for proposed property development at West Rail Long Ping Station, Yuen Long, New Territories	10 December 2014	—	—	279	1,753	2,032	Ongoing	48,510
Customer M	Private	Residential	MVAC works for a property development at Tseung Kwan O, New Territories	25 February 2016	—	—	—	1,462	1,462	Ongoing	160,977
Customer A	Private	Residential	MVAC works for proposed residential development at Che Kung Temple Station, Tai Wai, New Territories	30 August 2010	34	—	—	118	152	Completed	—

## FINANCIAL INFORMATION

### Direct costs and actual costs

Our direct costs represent costs and expenses directly attributable to our revenue generating activities and are recognised with reference to the stage of completion of each contract, which is, in turn, measured by the value of work certified during the relevant year or period. While for our actual costs, they represent the actual amount paid to subcontractors, suppliers, our direct labour, etc., for the execution of our project works and may, therefore, vary from the direct costs recognised in the consolidated income statement due to reasons such as unanticipated delay in project completion and the incurring of unforeseeable additional costs. Our subcontracting fees accounted for the largest part of our direct costs. For the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, our subcontracting fees accounted for approximately 56.2%, 48.9%, 52.8% and 61.6% of our actual costs, respectively. Our equipment and material costs accounted for the second largest part of our actual costs, which amounted to approximately 35.4%, 35.9%, 26.5% and 16.4% of our actual costs for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. Our direct labour costs accounted for the third largest part of our direct costs, which amounted to approximately 5.7%, 11.3%, 16.8% and 14.7% of our actual costs for the year ended 31 March 2014, 2015 and 2016, and the three months ended 30 June 2016 respectively. Other direct costs mainly include transportation expenses, project consultancy fee, project insurance, levies and other overhead costs. The following table summarises the breakdown of our actual costs and the reconciliation between the actual costs and direct costs during the Track Record Period:

### Direct costs

	For the year ended 31 March						For the three months ended 30 June			
	% to actual		% to actual		% to actual		% to actual		% to actual	
	2014	costs	2015	costs	2016	costs	2015	costs	2016	costs
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Subcontracting fees	153,052	56.2	84,748	48.9	72,996	52.8	18,075	54.2	27,455	61.6
Equipment and material costs	96,552	35.4	62,115	35.9	36,652	26.5	7,882	23.6	7,320	16.4
Direct labour costs	15,418	5.7	19,652	11.3	23,265	16.8	5,717	17.1	6,533	14.7
Others	7,339	2.7	6,697	3.9	5,369	3.9	1,709	5.1	3,247	7.3
<b>Actual costs</b>	<b>272,361</b>	<b>100.0</b>	<b>173,212</b>	<b>100.0</b>	<b>138,282</b>	<b>100.0</b>	<b>33,383</b>	<b>100.0</b>	<b>44,555</b>	<b>100.0</b>
Add: Net movement of amounts due from (to) customers for contract work	20,726		(12,037)		15,211		4,140		(5,213)	
<b>Direct costs</b>	<b>293,087</b>		<b>161,175</b>		<b>153,493</b>		<b>37,523</b>		<b>39,342</b>	

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## FINANCIAL INFORMATION

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The net movement of amounts due from (to) customers from contract work arises as a result of the timing difference between incurred cost and cost attributable to revenue, whereas both revenue and costs are recognised with reference to the stage of completion of the contract activity at the end of the reporting period, i.e. the direct costs represents costs attributable to the revenue recognised in the corresponding time period.

### *Subcontracting fees*

From time to time, we procure certain services from subcontractors for some of our projects. These projects may require such subcontractors to provide special equipment and/or to source and supply materials. These subcontractors may also carry out the installation works directly. Accordingly, our subcontracting fees therefore may vary depending on the level of labour work and materials involved in the project.

The subcontracting fees as a percentage of actual costs increased from 54.2% for the three months ended 30 June 2015 to 61.6% for the three months ended 30 June 2016 was mainly due to the fact that a number of projects were at their early stage during the three months ended 30 June 2016 and did not incur significant equipment and material costs hence subcontracting fees contributed a higher portion for the three months ended 30 June 2016.

### *Equipment and material costs*

Our equipment and material costs were principally related to the equipment, materials and consumables used on the work sites procured by us for our E&M engineering service business, which were usually delivered to the work sites directly. Major equipment and materials were ordered based on specifications set out in the relevant contract and needed to pass through the approval process by the customer's representatives. As set out in the section headed "Business — Customers — Pricing strategies", for projects which allowed greater flexibility in the selection of suppliers, we sourced specifications-matching equipment and materials deployed at the most competitive pricing terms. In addition, supplier may offer price reduction, taking into account factors including purchase quantity, exchange rates, cost of materials, market competition and whether the supplier is desirous of providing the equipment and materials in specific projects. As a result, our equipment and material costs may vary depending on whether flexibility was allowed in the selection of suppliers and equipment, and whether we could obtain discount for such equipment and materials deployed in our projects.

Our direct labour costs principally represented our staff costs attributable to the staff of the project team who are directly involved in the provision of our Group's services.

Others were mainly related to transportation expenses, project consultancy fee, project insurance, levies and other overhead costs directly attributable to our revenue generating activities.

For the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, our direct costs represented approximately 88.6%, 87.7%, 80.7% and 86.0% of our revenue, respectively.

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## FINANCIAL INFORMATION

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### **Gross profit**

Our gross profit amounted to approximately HK\$37.7 million, HK\$22.6 million, HK\$36.7 million and HK\$6.4 million for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively, representing a gross profit margin of 11.4%, 12.3%, 19.3% and 14.0% for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively.

The gross profit margin of our projects varies across different projects, and may be affected by the number, size, location and types of projects involved, nature of services to be provided.

## FINANCIAL INFORMATION

The following tables set forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of E&M engineering services during the Track Record Period.

	For the year ended 31 March																	
	2014						2015						2016					
	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	% of the total gross profit	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	% of the total gross profit	Gross profit <sup>(1)</sup>	% of the total gross profit				
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%					
MVAC system	320,355	96.8	35,757	94.9	9,770	11.2	171,821	93.5	21,532	95.2	12.5	9,996	186,967	98.3	35,366	96.2	18.9	15,664
Low voltage electrical system <sup>(2)</sup>	8,878	2.7	1,596	4.2	2,866	18.0	11,809	6.4	1,038	4.6	8.8	5,289	1,998	1.0	1,145	3.1	57.3	11,210
Other E&M systems <sup>(2)</sup>	1,539	0.5	332	0.9	3,473	21.6	158	0.1	43	0.2	27.2	461	1,277	0.7	238	0.6	18.6	653
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>37,685</b>	<b>100.0</b>	<b>8,982</b>	<b>11.4</b>	<b>183,788</b>	<b>100.0</b>	<b>22,613</b>	<b>100.0</b>	<b>12.3</b>	<b>9,633</b>	<b>190,242</b>	<b>100.0</b>	<b>36,749</b>	<b>100.0</b>	<b>19.3</b>	<b>15,510</b>
	<b>For the three months ended 30 June</b>																	
	2015						2016						2016					
Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	% of the total gross profit	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	% of the total gross profit	Revenue	% of the total revenue	Gross profit <sup>(1)</sup>	% of the total gross profit	Average contract size	% of the total gross profit	
HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
MVAC system	42,014	98.9	4,847	98.1	11.5	21,090	98.3	5,975	93.2	13.3	25,963	44,991	98.3	5,975	93.2	13.3	25,963	
Low voltage electrical system <sup>(2)</sup>	—	—	—	—	—	—	0.6	90	1.4	35.6	3,829	253	0.6	90	1.4	35.6	3,829	
Other E&M systems <sup>(2)</sup>	452	1.1	96	1.9	21.2	653	1.1	345	5.4	67.9	9,208	508	1.1	345	5.4	67.9	9,208	
<b>Total</b>	<b>42,466</b>	<b>100.0</b>	<b>4,943</b>	<b>100.0</b>	<b>11.6</b>	<b>19,852</b>	<b>100.0</b>	<b>6,410</b>	<b>100.0</b>	<b>14.0</b>	<b>23,830</b>	<b>45,752</b>	<b>100.0</b>	<b>6,410</b>	<b>100.0</b>	<b>14.0</b>	<b>23,830</b>	

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## FINANCIAL INFORMATION

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*Notes:*

1. The gross profit of the MVAC system projects decreased from approximately HK\$35.8 million for the year ended 31 March 2014 to approximately HK\$21.5 million for the year ended 31 March 2015, and increased to approximately HK\$35.4 million for the year ended 31 March 2016. The gross profit of the MVAC system projects increased from approximately HK\$4.8 million for the three months ended 30 June 2015 to approximately HK\$6.0 million for the three months ended 30 June 2016. The gross profit margin of our MVAC system projects remained stable at 11.2% and 12.5% respectively for the two years ended 31 March 2014 and 2015, and increased to approximately 18.9% for the year ended 31 March 2016. The gross profit margin of our MVAC system projects increased slightly from approximately 11.5% for the three months ended 30 June 2015 to approximately 13.3% for the three months ended 30 June 2016. The gross profit and gross profit margin of our MVAC system projects are susceptible to the changes in our project mix among residential and non-residential projects and their respective gross profit margin in the corresponding periods as MVAC system projects are the major type of E&M engineering services projects, contributing more than 90% of the total gross profit during the Track Record Period. For details, please refer to the tables setting forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of projects during the Track Record Period as set out in this section.
2. Revenue contributions from low voltage electrical system and other E&M systems remained low over the Track Record Period. The gross profit margin from these projects are highly dependent on the project specifications and may vary in different projects from time to time.





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## FINANCIAL INFORMATION

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*Notes:*

- The gross profit of the residential projects decreased from approximately HK\$21.4 million for the year ended 31 March 2014 to approximately HK\$12.9 million for the year ended 31 March 2015, and increased to approximately HK\$32.3 million for the year ended 31 March 2016 as we took advantage of and capture the business opportunities arising from the growth in the number of residential projects. The gross profit of the residential projects remained stable at approximately HK\$3.9 million for the three months ended 30 June 2015 and approximately HK\$3.8 million for the three months ended 30 June 2016. The gross profit margin of the residential projects increased from approximately 15.9% for the year ended 31 March 2014 to 19.0% for the year ended 31 March 2015, and further increased to 24.2% for the year ended 31 March 2016 mainly due to the decrease in our equipment and material costs and subcontracting fees. The gross profit margin of the residential projects increased from approximately 17.7% for the three months ended 30 June 2015 to approximately 24.2% for the year ended 31 March 2016 was mainly due to the fact that residential projects which had significant works completed in the three months ended 30 June 2015 were of lower gross profit margin compared to other residential projects with works completed in the remaining nine months in the year ended 31 March 2016. The gross profit margin of the residential projects increased from approximately 17.7% for the three months ended 30 June 2015 to approximately 25.0% for the three months ended 30 June 2016. The gross profit margin was mainly due to a continuation of gross profit margin from 24.2% for the year ended 31 March 2015 to 25.0% for the three months ended 30 June 2016. For details, please refer to the paragraph headed “— Discussion of results of operations” in this section.
- The gross profit of the non-residential projects decreased from approximately HK\$16.3 million for the year ended 31 March 2014 to approximately HK\$9.8 million for the year ended 31 March 2015, and further decreased to HK\$4.4 million. The gross profit margin of the non-residential projects remained stable at approximately 8.3%, 8.4% and 7.8% for the years ended 31 March 2014, 2015 and 2016 respectively. The gross profit of the non-residential projects increased from approximately HK\$1.1 million for the three months ended 30 June 2015 to approximately HK\$2.6 million for the three months ended 30 June 2016 mainly due to two non-residential projects: (i) MVAC works for a remodeling project at Salisbury Road, Tsim Sha Tsui and (ii) MVAC works for a proposed commercial development at Wai Yip Street, Kwun Tong, which had significant works completed in the three months ended 30 June 2016. The gross profit margin of the non-residential projects increased from approximately 5.1% for the three months ended 30 June 2015 to approximately 8.5% for the three months ended 30 June 2016 mainly due to the two aforementioned non-residential projects with significant works completed in the three months ended 30 June 2016. As these two projects were new development projects that involve more technicalities and manpower, they had higher gross profit margin compared to the non-residential projects, which were mainly replacement projects, in the three months ended 30 June 2015. For details, please refer to the paragraph headed “— Discussion of results of operations” in this section.

## FINANCIAL INFORMATION

The following tables set forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by sectors during the Track Record Period.

	For the year ended 31 March																		
	2014						2015						2016						
	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Average contract size	Gross profit margin (1)(2)	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Average contract size	Gross profit margin (1)(2)	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Average contract size	Gross profit margin (1)(2)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
Private Sector	274,528	83.0	35,954	95.4	7,529	13.1	164,031	89.3	20,667	91.4	12.6	9,744	156,475	82.3	35,448	96.5	22.7	16,481	22.7
Public Sector	56,244	17.0	1,731	4.6	21,144	3.1	19,757	10.7	1,946	8.6	9.8	9,110	33,767	17.7	1,301	3.5	3.9	10,110	3.9
<b>Total</b>	<b>330,772</b>	<b>100.0</b>	<b>37,685</b>	<b>100.0</b>	<b>8,982</b>	<b>11.4</b>	<b>183,788</b>	<b>100.0</b>	<b>22,613</b>	<b>100.0</b>	<b>12.3</b>	<b>9,633</b>	<b>190,242</b>	<b>100.0</b>	<b>36,749</b>	<b>100.0</b>	<b>19.3</b>	<b>15,150</b>	<b>19.3</b>
	For the three months ended 30 June																		
	2015						2016						2016						
	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Average contract size	Gross profit margin (1)(2)	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Average contract size	Gross profit margin (1)(2)	Revenue	% of the total revenue	Gross profit (1)(2)	% of the total gross profit	Average contract size	Gross profit margin (1)(2)	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
Private Sector	26,392	62.1	4,116	83.3	15.6	15.6	21,313	66.6	30,481	66.6	30,481	18.9	5,751	89.7	5,751	89.7	26,038	18.9	26,038
Public Sector	16,074	37.9	827	16.7	5.1	5.1	8,764	33.4	15,271	33.4	15,271	4.3	659	10.3	659	10.3	11,686	4.3	11,686
<b>Total</b>	<b>42,466</b>	<b>100.0</b>	<b>4,943</b>	<b>100.0</b>	<b>11.6</b>	<b>11.6</b>	<b>19,852</b>	<b>100.0</b>	<b>45,752</b>	<b>100.0</b>	<b>45,752</b>	<b>14.0</b>	<b>6,410</b>	<b>100.0</b>	<b>6,410</b>	<b>100.0</b>	<b>23,850</b>	<b>14.0</b>	<b>23,850</b>

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## FINANCIAL INFORMATION

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*Notes:*

1. Revenue and gross profit contributed by our projects in the private sector remained robust during the Track Record Period. Gross profit from our projects in the private sector decreased from approximately HK\$36.0 million for the year ended 31 March 2014 to approximately HK\$20.7 million for the year ended 31 March 2015, and increased to approximately HK\$35.4 million for the year ended 31 March 2016. The gross profit from our projects in the private sector increased from approximately HK\$4.1 million for the three months ended 30 June 2015 to approximately HK\$5.8 million for the three months ended 31 March 2014 and 2015, and increased to approximately 22.7% for the year ended 31 March 2016. The gross profit margin of our projects in private sector remained stable at 13.1% and 12.6% respectively for the two years ended 31 March 2014 and 2015, and increased to approximately 15.6% for the three months ended 30 June 2015 to approximately 18.9% for the three months ended 30 June 2016. The gross profit and gross profit margin of our private sector projects are susceptible to the changes in our project mix among residential and non-residential projects and their respective gross profit margin in the corresponding periods as private sector projects are the major type of project by sectors, contributing more than 80% of the total gross profit during the Track Record Period. For details, please refer to the tables setting forth the breakdown of our Group's revenue, gross profit, gross profit margin and average contract size by types of projects during the Track Record Period as set out in this section.
2. Our gross profit margin from the public sector was relatively low at 3.1% for the year ended 31 March 2014 was mainly due to MVAC works for a university campus at Chung Hau Street, Ho Man Tin. Our Directors are keen to undertake this project primarily because of its large contract value of approximately HK\$53.9 million and it was our largest scale university project which enabled us to diversify our project mix. Our gross profit margin in the public sector increased to approximately 9.8% for the year ended 31 March 2015 because we were engaged in a residential project, which generally offer higher gross profit margin, located in Kai Tak. Our gross profit margin decreased to 3.9% for the year ended 31 March 2016 was mainly attributable to MVAC System replacement projects for government buildings in Hong Kong which involved less technicalities and manpower. Our gross profit margin remained relatively stable at 5.1% for the three months ended 30 June 2015 and 4.3% for the three months ended 30 June 2016.

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## FINANCIAL INFORMATION

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### Other income and other gains and losses

The table below sets forth a breakdown of our Group's other income and other gains and losses during the Track Record Period and the three months ended 30 June 2015 and 2016:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
<b>Other income:</b>					
Bank interest income	28	115	36	2	1
Dividends from available-for-sale financial assets	262	401	326	79	—
Dividend income from insurance policy	116	123	58	11	11
Sundry income	<u>572</u>	<u>183</u>	<u>149</u>	<u>11</u>	<u>3</u>
	<u>978</u>	<u>822</u>	<u>569</u>	<u>103</u>	<u>15</u>
<b>Other gains and losses:</b>					
Net foreign exchange (loss) gain	(239)	(614)	(164)	42	—
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets	83	406	1,354	1,108	—
Impairment loss on available-for-sale financial assets	(958)	(836)	—	—	—
Gain on disposal of property and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>180</u>
	<u>(1,114)</u>	<u>(1,044)</u>	<u>1,190</u>	<u>1,150</u>	<u>180</u>

## FINANCIAL INFORMATION

### Administrative expenses

Administrative expenses mainly comprise staff costs, including directors' emoluments, depreciation of property and equipment, professional fees and bank charges, which in aggregate accounted for approximately 75.4%, 77.2%, 74.9% and 77.3% of our administrative expenses during the Track Record Period, respectively. Other administrative expenses mainly include travelling expenses, insurance expenses, office expenses and rent and rates. The breakdown of our administrative expenses for the Track Record Period is summarised below:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Staff costs, including directors' emoluments	3,120	3,813	3,739	1,012	1,355
Depreciation of property and equipment	1,252	1,290	1,305	327	338
Professional fees	86	65	516	111	399
Bank charges	483	307	337	82	177
Travelling expenses	175	210	288	60	22
Insurance expenses	121	113	194	142	95
Office expenses	122	156	140	85	61
Rent and rates	264	39	42	33	265
Others	926	1,096	1,316	160	225
<b>Total</b>	<u>6,549</u>	<u>7,089</u>	<u>7,877</u>	<u>2,012</u>	<u>2,937</u>

For the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, the administrative expenses represented approximately 2.0%, 3.9%, 4.1% and 6.4% of our revenue, respectively. Staff costs including directors' emoluments accounted for the largest portion of our administrative expenses which represented approximately 47.6%, 53.8%, 47.5% and 46.1% of our administrative expenses for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. Depreciation of property and equipment accounted for the second largest portion of our administrative expenses which represented approximately 19.1%, 18.2%, 16.6% and 11.5% of our administrative expenses for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. Bank charges accounted for approximately 7.4%, 4.3%, 4.3% and 6.0% of our administrative expenses for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively, which principally related to handling charges paid to bank for banking services. Professional fees also represented approximately 1.3%, 0.9%, 6.6% and 13.6% of our administrative expenses for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively.

## FINANCIAL INFORMATION

For details of our Directors' remuneration during the Track Record Period, please refer to the section headed "Directors, senior management and employees — Compensation of directors and senior management" in this prospectus and "Accountants' Report — 8. Directors' and employees' emoluments" in Appendix I to this prospectus. For details of our Directors' remuneration upon the Listing, please refer to the section headed "Statutory and general information — C. Disclosure of interest — 4. Directors' emoluments" in Appendix V to this prospectus.

### Finance costs

Our Group's finance costs during each of the Track Record Period, which mainly related to the interest on bank borrowings, are set forth below:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Interests on bank borrowings	718	570	515	114	115
Interests on obligations under finance lease	5	—	—	—	—
	<u>723</u>	<u>570</u>	<u>515</u>	<u>114</u>	<u>115</u>

### Income tax expense

Our Group is subject to Hong Kong Profits Tax at 16.5% of the estimated assessable profit during the Track Record Period. Our Group's income tax expense during each of the Track Record Period is set forth below:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Hong Kong Profits Tax:					
Current tax	5,170	2,607	5,025	540	574
Deferred taxation	89	(17)	(72)	(20)	12
	<u>5,259</u>	<u>2,590</u>	<u>4,953</u>	<u>520</u>	<u>586</u>

Shun Hing HK and Golden Light (the "Relevant Companies") had engaged an independent local accounting firm (the "Local Auditor") as their auditor and another independent local accounting firm

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## FINANCIAL INFORMATION

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(the “**Tax Representative**”) as their tax representative since their respective incorporations. Prior to the preparation for the Listing, the then accounting personnel (the “**Relevant Staff**”) of the Relevant Companies, who was not a certified public accountant but possessed relevant experience in accounting, was responsible for, among others, the bookkeeping and the preparation of the management accounts of the Relevant Companies. In connection with the historical statutory financial statements and the tax returns of the Relevant Companies previously filed with the IRD, the Local Auditor audited the management accounts and supporting documents prepared by the Relevant Staff and the Tax Representative prepared the tax computations and tax returns based on the financial statements audited by the Local Auditor. Due to (i) the administrative convenience in view of the scale of operations of the Relevant Companies since their respective incorporations, (ii) the lack of technical knowledge of the Relevant Staff at the material times, and (iii) the misjudgement made by the Local Auditor on the adoption of the accounting treatment on certain financial statement items, such accounting treatment, which was believed to be accounted for correctly at that time of point, was erroneously applied in the historical statutory financial statements (the “**Accounting Treatment**”). Such erroneous Accounting Treatment was mainly (i) cut-off in relation to the recognition of the revenue and the corresponding costs of all projects undertaken by the Relevant Companies during the relevant financial years, (ii) measurement of available-for-sale financial assets, (iii) depreciation policies applied in respect of certain property and equipment, and (iv) provision for annual leave and long services payments, resulting in corresponding errors in the tax returns filed with the IRD by the Tax Representative. Details of these errors and relevant adjustments made are set out below.

The historical statutory financial statements and the tax returns were considered and approved by the then directors of the Relevant Companies before filling with the IRD, taking into account of, among others, the management accounts prepared and accounting books and records kept by the Relevant Staff, the audit by the Local Auditor on such historical statutory financial statements and the tax computations and tax returns prepared by the Tax Representative based on the financial statements audited by the Local Auditor at the relevant times.

Due to the lack of technical knowledge of the Relevant Staff and the misjudgement made by the Local Auditor on the adoption of the Accounting Treatment which the Tax Representative had relied on in preparing the tax computations and tax returns, the accounting errors were not identified. Subsequently, in preparation for the Listing, our Group has employed Mr. Chan Ho Kei, a certified public accountant, as our financial controller. As a result, during the course of preparation of our Group’s financial information for the three years ended 31 March 2016, the financial controller noted the errors and the management of our Company was then immediately advised with such errors in the statutory financial statements of the Relevant Companies, as at 1 April 2013 and for the years ended 31 March 2014 and 31 March 2015 (the “**Relevant Years**”).

In view of the errors made in historical statutory financial statements at the material times, we had made relevant adjustments to the financial information of the Relevant Companies (i.e. our Group’s opening balance of retained earnings brought forward as at 1 April 2013 (adjusted for errors prior to 1 April 2013) and our Group’s profit for the years ended 31 March 2014 and 2015), which were incorporated in the financial information included in the Accountants’ Report set out in Appendix I to this prospectus. Our Company has appointed a reputable international accounting firm as its new tax representative (the “**Current Tax Representative**”) for the abovementioned subsidiaries in April and June 2016 respectively. We then refiled the revised tax computations voluntarily with the IRD for the Relevant Companies based on the adjusted financial information to the IRD for tax reassessment in



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## FINANCIAL INFORMATION

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respect of the Relevant Years, together with the filing for tax computations in respect of the year ended 31 March 2016 upon issue of the statutory financial statements of the Relevant Companies for the year ended 31 March 2016 on 7 July 2016. The revised tax computations of the Relevant Companies submitted to the IRD for the year of assessment 2012/13 have already taken into account the accounting adjustments for the period before 1 April 2013. The accounting adjustments for our Group's opening balance of retained earnings brought forward as at 1 April 2013 (i.e. adjusted for errors prior to 1 April 2013) and our Group's profit for the years ended 31 March 2014 and 2015 include:

- (i) the Relevant Companies did not recognise revenue from engineering service contracts and relevant costs, including the corresponding retention monies, of all projects undertaken by the Relevant Companies during the relevant financial years in accordance with Hong Kong Accounting Standard (“HKAS”) 18 “Revenue” issued by the HKICPA as they were recognised when relevant invoices were billed to customers (i.e. revenue) or received from suppliers and subcontractors (i.e. direct costs). Adjustments were made to recognise revenue and direct costs, including the corresponding retention monies, of all projects undertaken by the Relevant Companies during the relevant financial years according to the percentage of completion method (i.e. recognised with reference to certified work performed by our Group); and
- (ii) the following items affected our opening balance of retained earnings brought forward as at 1 April 2013 (adjusted for errors prior to 1 April 2013) and our Group's profit for the years ended 31 March 2014 and 2015 to a lesser extent: (a) adjustments on fair value changes and impairment made in respect of available-for-sale financial assets as Shun Hing HK did not measure and impair such financial assets in accordance with the Hong Kong Financial Reporting Standards; (b) adjustments on depreciation expense and property and equipment as Shun Hing HK did not recognise depreciation of leasehold land and building correctly and failed to capitalise certain property and equipment; and (c) adjustments on staff costs as Shun Hing HK did not recognise provisions on long service payments and annual leave payments.

In addition, provision of levy payments had not been made due to failure to file (a) the notices of commencement of construction operations, (b) the notices of payment, and (c) notices of completion to the CIC and PCFB and hence provisions were made to recognise levy payments as direct costs. For details of this non-compliance, please refer to the section headed “Business — Systemic non-compliance of our Group” in this prospectus.

Based on the revised tax computations refiled by our Group to the IRD on 7 July 2016, it is estimated that additional tax charges of approximately HK\$3.0 million, HK\$1.8 million and HK\$0.7 million would be incurred in respect of the relevant adjustments as at 1 April 2013 and for the years ended 31 March 2014 and 2015, respectively. Accordingly, additional tax charges of corresponding amounts were provided and adjusted to the opening balance of retained earnings brought forward as at 1 April 2013 and the income tax expenses for the years ended 31 March 2014 and 2015, as appropriate, of the Relevant Companies, and the tax payables as at 31 March 2014, 2015 and 2016 of the Group included the aggregate of these estimated additional tax charges, i.e. approximately HK\$4.8 million, HK\$5.5 million and HK\$5.5 million respectively.

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## FINANCIAL INFORMATION

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The IRD has issued additional tax assessments for the years of assessment 2012/13, 2013/14 and 2014/15 to Shun Hing HK in November 2016 in accordance with the revised tax computations submitted. According to the additional tax assessments issued by the IRD, the amounts of additional tax charges payable by Shun Hing HK amounted to approximately HK\$2.9 million, HK\$1.8 million and HK\$0.7 million for the years of assessment 2012/13, 2013/14 and 2014/15, respectively, which were consistent with the figures stated in the revised tax computations submitted to the IRD on 7 July 2016. Shun Hing HK is required to settle the additional tax demand by 16 December 2016. As at the Latest Practicable Date, such additional tax demand has been settled. As for Golden Light, response has yet been received from the IRD as at the Latest Practicable Date. Nevertheless, Golden Light is prepared and is willing to settle the additional tax demand when requested by the IRD.

Taking into consideration of the relevant laws and as advised by the Current Tax Representative, our Directors have considered (i) the likelihood of the Relevant Companies and their directors being subject to prosecution and/or penalty for submitting incorrect tax returns for the Relevant Years or incorrect information to the IRD; and (ii) whether there would be any negative impact on the competence and integrity of our Directors:

### *Likelihood of prosecution and/or penalty against the Relevant Companies*

Under section 80(2) or section 82A of the IRO, the IRD may prosecute the Relevant Companies if the IRD considers that the Relevant Companies made incorrect returns by omitting or understating anything in respect of which the Relevant Companies are required by the IRO to make a return “without reasonable excuse”, or under section 82 of the IRO if the IRD considers that the Relevant Companies “wilfully with intent” evaded tax or assisted another person to evade tax by engaging various activities including but not limited to, filing false statements, preparing/maintaining or authorising the preparation or maintenance of any false books of account or other records or falsifies or authorises the falsification of any books of account or records.

However, having considered the relevant facts and circumstances and as advised by the Current Tax Representative, our Directors are of the view that the likelihood of the Relevant Companies being challenged by the IRD under section 80(2) or section 82A of IRO should be remote on the following basis:

- (i) the tax returns of the Relevant Companies for the Relevant Years became incorrect merely due to adjustments made to the financial statements which were not identified or aware of by the Relevant Companies when they prepared and submitted the tax returns for the Relevant Years, but not to evade tax deliberately as the Relevant Companies completed the tax returns based on the original amounts stated on the original audited financial statements;
- (ii) the under-reporting and under-payment of tax were mainly arising from prior period adjustments made to the Relevant Companies’ financial statements which were not identified or aware of by the Relevant Companies when they prepared and submitted the tax returns for the Relevant Years stated on the original audited financial statements, which were believed to be correct at that point in time. As such, the under-reporting of profits were not tax driven but accounting driven; and

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## FINANCIAL INFORMATION

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- (iii) remedial actions were taken by the Relevant Companies immediately after the errors were discovered. The Relevant Companies submitted the revised tax computation together with the revised audited financial statements to the IRD proactively to inform the IRD of the tax undercharged. Such act has demonstrated the Relevant Companies' intention not to avoid/delay any tax payment.

As advised by the Current Tax Representative, our Directors are of the view that since section 82 of the IRO is generally applicable to taxpayers who proved to be committed an offence wilfully with an intention to evade tax, but on the contrary the Relevant Companies' Returns for the Relevant Years became incorrect merely due to adjustments made to the financial statements and not to evade tax deliberately, therefore the likelihood of Relevant Companies being challenged by the IRD under section 82 of the IRO should be remote.

If in an unfortunate event that penal actions under section 80(2) of the IRO are to be initiated by the IRD against the Relevant Companies for the offence, the maximum penalty could reach up to compound of HK\$10,000 plus a fine of up to three times the amount of tax undercharged. Assuming that section 82A of the IRO is applicable, the potential fine penalty that may be charged by the IRD for the Relevant Years would be amounted to approximately HK\$550,000 for Shun Hing HK and HK\$9,000 for Golden Light, plus compound interests at the prevailing best bank lending rate.

### *Likelihood of prosecution and/or penalty against the directors of the Relevant Companies*

Taking into account the relevant laws, facts and circumstances and as advised by the Current Tax Representative, our Directors consider that the chance of the IRD instituting prosecution against the directors of the Relevant Companies, being Mr. Yu and Mr. Lau, is remote based on the same analysis above as applicable to the Relevant Companies. In particular, the then directors of the Relevant Companies, before filing the tax returns, had relied on the professional advice of the Local Auditor (notwithstanding that it subsequently proved to be incorrect) and our Directors have considered the directors of the Relevant Companies to have reasonable excuse for making the incorrect returns. As advised by the Current Tax Representative, even if the IRD wishes to institute penal actions against company for making incorrect returns, the IRD would generally impose such penalty on the company concerned (being the taxpayer) as opposed to its directors.

### *Whether there would be any negative impact on the competence and integrity of our Directors*

In view of the above and as advised by the Current Tax Representative, our Directors are of the view that such erroneous application of the Accounting Treatment of the Relevant Companies leading to the incorrect tax returns should not cast doubt or have material negative impact on the competence and integrity of Mr. Yu and Mr. Lau, being the directors of the Relevant Companies and our Company due to the following reasons:

- (i) directors of the Relevant Companies are ordinary businessmen. While they do not possess extensive and technical knowledge about the relevant accounting standards, they had exercised reasonable care and diligence in handling the above matters by seeking professional advice from the Local Auditors;

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## FINANCIAL INFORMATION

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- (ii) directors of the Relevant Companies had sought professional advice from the Local Auditors on the application and implications of the relevant accounting standards every year and had arranged for the financial statements prepared by them to be reviewed and audited by the Local Auditors, who had expressed their opinion in the auditor's reports that the financial statements of the Relevant Companies gave a true and fair view of the state of the Relevant Companies' affairs. Based on such professional advice/opinion given by the Local Auditors, directors of the Relevant Companies had honestly believed that they had adopted the proper and correct accounting principles and that the financial statements of the Relevant Companies gave a true and fair view of the state of the Relevant Companies' affairs at each year-end date at all material times. It was the reasonable expectation of the directors of the Relevant Companies that if the relevant accounting standards had not been adopted, the Local Auditors should have at least raised the issues or even made qualified opinion in the financial reports of the Relevant Companies. Without receiving any negative comments from the Local Auditors, the relevant Companies had adopted the incorrect accounting principles consistently throughout the material times; and
- (iii) the directors of the Relevant Companies had been responsive and had taken immediate remedial actions and the Relevant Companies had refiled the revised tax computations with the IRD voluntarily and are prepared to settled the additional tax demand from the IRD.

To avoid the reoccurrence of similar accounting errors as mentioned above, we have implemented/will implement the following:

- (i) we have appointed a certified public accountant as the financial controller to oversee the accounting function of our Group. The management accounts and financial information prepared by our staff in the accounting department are required to be reviewed by the financial controller before approval by our Directors;
- (ii) we have established our Group's accounting policies and the procedures manual specifying the revenue recognition policies and the procedures describing the flow of process and the relevant approvals to be obtained;
- (iii) we shall require our project managers to discuss the project status with customers regularly and share the latest project status information with our accounting department so as to timely reconcile any discrepancy between project status, revenue recognition and trade receivables. We have established flow of process to ensure relevant documents relating to projects, such as interim payment applications to our customers and interim certificates from customers, are available for the staff of accounting department to prepare the management accounts and financial information;
- (iv) we will assess and monitor the implementation of our internal control policies regarding financial reporting through regular review;
- (v) we will arrange for our staff in the accounting department to attend trainings on accounting and tax issue from time to time; and

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## FINANCIAL INFORMATION

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- (vi) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters.

### *View of our Directors and the Sole Sponsor*

Our Directors are of the view and the Sole Sponsor concurs that the above incident would not reflect negatively on the competence and integrity of Mr. Yu and Mr. Lau to act as our Directors under Rules 3.08 and 3.09 of the Listing Rules having taken into account (i) the tax advice from the Current Tax Representative; (ii) the Relevant Companies had refiled the revised tax computations with the IRD; (iii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of similar incidents; (iv) there were no recurrence of similar incidents since the implementation of the such measures; and (v) the above incidents did not involve any dishonesty or fraudulent act on the part of our Directors. Our Directors are also of the view and the Sole Sponsor also concurs that the above measures are sufficient and could effectively prevent the recurrence of the above incident.

### *Indemnity by our Controlling Shareholders*

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Group against any losses, liabilities or damages suffered by or falling on the Group in respect of and to the extent arising from or relation to the incorrect tax returns filed with the IRD on or before the Listing Date. As such, our Directors consider that the potential penalty and compound interests will not have a material impact on our Group's business, operation and financial position. For details of the Deed of Indemnity, please refer to the section headed "Statutory and general information — E. Other information — 1. Tax and other indemnity" in Appendix V to this prospectus.

### **Other comprehensive income**

Other comprehensive income or expense represent changes in fair value of the available-for-sale financial assets, cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets and cumulative loss reclassified from equity to profit or loss upon impairment of available-for-sale financial assets. We held certain interests in equity securities listed in Hong Kong, funds listed in Hong Kong and unlisted funds as at 31 March 2014 and 2015. The fluctuation in such investments' prices and valuation subsequently led to changes in fair value of our available-for-sale financial assets. Our Group did not hold any available-for-sale financial assets as at 31 March 2016 and 30 June 2016 and we currently do not intend to further invest in any available-for-sale financial assets after the Listing.

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## FINANCIAL INFORMATION

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### **Profit (loss) for the year/period**

Our profit principally represented the net profit derived from our E&M engineering service business. We recorded profit for the year/period of approximately HK\$25.0 million, HK\$12.1 million, HK\$23.6 million and loss of HK\$4.2 million<sup>(Note)</sup> during the Track Record Period, respectively.

*Note:* For the three months ended 30 June 2016, our profit for the period (after excluding our listing expenses of approximately HK\$7.2 million, which were not expenses incurred in the ordinary and usual course of business) was approximately HK\$3.0 million

### **DISCUSSION OF RESULTS OF OPERATIONS**

#### **Three months ended 30 June 2016 compared to three months ended 30 June 2015**

##### *Revenue*

Our revenue increased by approximately HK\$3.3 million from approximately HK\$42.5 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$45.8 million for the three months ended 30 June 2016, representing an increase of approximately 7.8%. The increase was principally due to the revenue contributed by the following four projects which contributed approximately 49.3% of the revenue for the three months ended 30 June 2016:

- (i) MVAC works for a remodelling project at Salisbury Road, Tsim Sha Tsui, Kowloon, which contributed approximately HK\$5.9 million revenue in the three months ended 30 June 2016;
- (ii) MVAC works for a project in Tseung Kwan O, New Territories which contributed approximately HK\$5.9 million revenue in the three months ended 30 June 2016;
- (iii) MVAC works for a building at the Hong Kong International Airport, Lantau which contributed approximately HK\$5.6 million revenue in the three months ended 30 June 2016; and
- (iv) MVAC works for proposed commercial development at Wai Yip Street, Kwun Tong, Kowloon which contributed approximately HK\$5.2 million revenue in the three months ended 30 June 2016.

##### *Direct costs*

Direct costs increased by approximately HK\$1.8 million from approximately HK\$37.5 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$39.3 million for the three months ended 30 June 2016, representing an increase of approximately 4.8%. The increase in direct costs was outpaced by that of revenue primarily due to the combined effects of the following:

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## FINANCIAL INFORMATION

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- (i) increase in subcontracting fees mainly attributable to the increase in revenue for the three months ended 30 June 2016;
- (ii) decrease in equipment and material costs as (a) a number of projects were at their early stages and did not incur significant equipment and material costs; (b) the residential projects we undertook in the three months ended 30 June 2016 allowed greater flexibility in the selection of suppliers. In these projects, we sourced specifications-matching equipment and materials deployed at the most competitive pricing terms; (c) supplier provided discount to us, as we purchased relatively large quantity of equipment; (d) exchange rates of RMB decreased resulting in lower cost of equipment and materials made in China; and (e) supplier was desirous of beginning to supply equipment to a residential project of a property developer so as to cultivate business relationship with the property developer by adopting its brand for the said and forthcoming projects; and
- (iii) two non-residential projects we undertook in the three months ended 30 June 2016 contributed proportionally higher revenue relative to direct costs (i.e. higher gross profit margin) as they were new development projects that involve more technicalities and manpower compared to the non-residential projects, which were mainly replacement projects, in the three months ended 30 June 2015.

### ***Gross profit and gross profit margin***

We recorded an increase in our gross profit of approximately HK\$1.5 million from approximately HK\$4.9 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$6.4 million for the three months ended 30 June 2016. The gross profit margin increased from approximately 11.6% for the three months ended 30 June 2015 to approximately 14.0% for the three months ended 30 June 2016. The higher gross profit margin for the three months ended 30 June 2016 was mainly attributable to the combined effect of the following:

- (i) the increase in revenue mainly due to revenue contributed by the four aforementioned projects; and
- (ii) the increase in direct costs due to the combined effects of (a) the increase in subcontracting fees, (b) the decrease in equipment and material costs, and (c) the two aforementioned non-residential projects we undertook in the three months ended 30 June 2016 which contributed proportionally higher revenue relative to direct costs (i.e. higher gross profit margin).

### ***Other income***

Other income of our Group decreased from approximately HK\$0.1 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$15,000 for the three months ended 30 June 2016, which was primarily due to the decrease in dividends from available-for-sale financial assets as all available-for-sale financial assets were disposed the year ended 31 March 2016.

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## FINANCIAL INFORMATION

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### *Other gains and losses*

Other gains and losses of our Group decreased from approximately HK\$1.2 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$0.2 million for the three months ended 30 June 2016, which was primarily due to the decrease in cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets as all available-for-sale financial assets were disposed in the year ended 31 March 2016.

### *Administrative expenses*

Administrative expenses increased by approximately HK\$0.9 million from approximately HK\$2.0 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$2.9 million for the three months ended 30 June 2016, representing an increase of approximately 45.0%. The increase was mainly attributable to (i) the increase in staff cost, including directors' emoluments due to the increase in headcount and salary increment; (ii) the increase in professional fees due to the increase in auditor's remuneration and other professional fees, and (iii) the increase in rent and rates due to the rental of new office in Cheung Sha Wan since May 2016.

### *Finance costs*

Finance costs, which represented our interests on bank borrowings, remained stable at approximately HK\$0.1 million for both the three months ended 30 June 2015 (based on the unaudited management account) and 30 June 2016.

### *Income tax expense*

Income tax expense increased by approximately HK\$0.1 million from approximately HK\$0.5 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$0.6 million for the three months ended 30 June 2016, representing an increase of approximately 20.0%. The increase was mainly attributable to the combined effect of the (i) change in effective tax rate and (ii) decrease in profit before taxation (excluding listing expenses) from approximately HK\$4.1 million for the three months ended 30 June 2015 (based on the unaudited management account) to approximately HK\$3.6 million for the three months ended 30 June 2016.

The effective tax rates changed from approximately 12.8% for the three months ended 30 June 2015 (based on the unaudited management account) to approximately (16.3%) for the three months ended 30 June 2016. The lower effective tax rate for the three months ended 30 June 2015 was mainly attributable to the cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets. If the listing expenses, which are non-deductible in tax computation, are excluded, the effective tax rate for the three months ended 30 June 2016 will be approximately 16.5%.

### *Profit/loss for the period and net profit/loss margin*

As a result of the foregoing and the listing expenses of approximately HK\$7.2 million charged to the consolidated statement of profit or loss and other comprehensive income for the three months



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## FINANCIAL INFORMATION

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ended 30 June 2016, our profit for the period decreased by approximately HK\$7.8 million from a profit of approximately HK\$3.6 million for the three months ended 30 June 2015 (based on the unaudited management account) to a loss of approximately HK\$4.2 million for the three months ended 30 June 2016, representing a decrease of approximately 216.7%. We recorded a net profit margin of approximately 8.4% for the three months ended 30 June 2015 (based on the unaudited management account) and a net loss margin of approximately 9.1% for the three months ended 30 June 2016. The net loss margin resulted was mainly attributable to the listing expenses of approximately HK\$7.2 million and the combined effects of the factors discussed above.

### **Year ended 31 March 2016 compared to year ended 31 March 2015**

#### *Revenue*

Our revenue slightly increased by approximately HK\$6.4 million from approximately HK\$183.8 million for the year ended 31 March 2015 to approximately HK\$190.2 million for the year ended 31 March 2016, representing an increase of approximately 3.5%. The slight increase was principally due to the effect of increase in average revenue per project, offset by the decrease in the number of projects with revenue contribution for the year ended 31 March 2016:

- (i) as set out in the section headed “Business — Our projects” in this prospectus, the average revenue per project increased as we had a larger number of projects with contract value HK\$50 million or above awarded in prior years; and
- (ii) there was a decrease in the number of projects with revenue contribution for the year ended 31 March 2016 as there was a decrease in the number of non-residential projects in the corresponding period. As set out in the section headed “Business — Our projects — Residential and non-residential projects” in this prospectus, we had a higher proportion of revenue contributed by our residential projects for the year ended 31 March 2016 as we took advantage of and capture the business opportunities arising from the growth in the number of residential properties.

#### *Direct costs*

Direct costs decreased by approximately HK\$7.7 million from approximately HK\$161.2 million for the year ended 31 March 2015 to approximately HK\$153.5 million for the year ended 31 March 2016, representing a decrease of approximately 4.8%, despite the increase in revenue in the period.

The decrease of direct costs is mainly due to the decrease in both of our equipment and material costs and subcontracting fees in the year ended 31 March 2016. Our equipment and material costs decreased as: (a) the residential projects we undertook in the year ended 31 March 2016 allowed greater flexibility in the selection of suppliers. In these projects, we sourced specifications-matching equipment and materials deployed at the most competitive pricing terms; (b) supplier provided discount to us, as we purchased relatively large quantity of equipment; (c) exchange rates of RMB decreased resulting in lower cost of equipment and materials made in China; and (d) supplier

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## FINANCIAL INFORMATION

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was desirous of beginning to supply equipment to a residential project of a property developer so as to cultivate business relationship with the property developer by adopting its brand for the said and forthcoming projects. Whereas our subcontracting fees decreased in the year ended 31 March 2016 as we undertook more residential projects, which generally involve less complicated technicalities.

### *Gross profit and gross profit margin*

We recorded an increase in our gross profit of approximately HK\$14.1 million from approximately HK\$22.6 million for the year ended 31 March 2015 to approximately HK\$36.7 million for the year ended 31 March 2016. The gross profit margin increased from approximately 12.3% for the year ended 31 March 2015 to approximately 19.3% for the year ended 31 March 2016. Further to the paragraphs headed “— Discussion of results of operations — Year ended 31 March 2016 compared to year ended 31 March 2015 — Revenue” and “— Discussion of results of operations — Year ended 31 March 2016 compared to year ended 31 March 2015 — Direct costs” in this section, the increase in gross profit and in gross profit margin was mainly attributable to the combined effect of the following:

- (i) the increase in revenue due to the increase in average revenue per project contributed by a larger number of projects, offset by the decrease in the number of projects with revenue contribution; and
- (ii) the decrease in direct costs due to the drop in our subcontracting fees and equipment and material costs mainly attributable to greater flexibility in the selection of suppliers, discount provided by suppliers, decrease on RMB exchange rates and supplier was desirous of beginning to supply equipment to a residential project of a property developer.

### *Other income*

Other income of our Group decreased from approximately HK\$0.8 million for the year ended 31 March 2015 to approximately HK\$0.6 million for the year ended 31 March 2016, which was primarily due to the decrease in dividends from available-for-sale financial assets as all available-for-sale financial assets were disposed in the year ended 31 March 2016 and decrease in interest income yielded from deposits held at bank as we had no short term bank deposits as at 31 March 2016.

### *Other gains and losses*

We recorded other losses of approximately HK\$1.0 million for the year ended 31 March 2015 and other gains of approximately HK\$1.2 million for the year ended 31 March 2016. The change was mainly resulted from the increase in cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets which are mainly Hong Kong listed equity investments, and decrease of impairment loss on available-for-sale financial assets.

### *Administrative expenses*

Administrative expenses increased by approximately HK\$0.8 million from approximately HK\$7.1 million for the year ended 31 March 2015 to approximately HK\$7.9 million for the year ended 31 March 2016, representing an increase of approximately 11.3%. The increase was mainly attributable to the increase in professional fees due to the increase of auditor’s remuneration and other professional fees.

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## FINANCIAL INFORMATION

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### *Finance costs*

Finance costs, which represented our interests on bank borrowings, decreased from approximately HK\$0.6 million for the year ended 31 March 2015 to approximately HK\$0.5 million for the year ended 31 March 2016. The decrease was generally in line with the decrease in average bank borrowings, mainly due to repayment of bank borrowings during the year ended 31 March 2016.

### *Income tax expense*

Income tax expense increased by approximately HK\$2.4 million from approximately HK\$2.6 million for the year ended 31 March 2015 to approximately HK\$5.0 million for the year ended 31 March 2016, representing an increase of approximately 92.3%. The increase was mainly attributable to increase in profit before taxation from approximately HK\$14.7 million for the year ended 31 March 2015 to approximately HK\$28.6 million for the year ended 31 March 2016.

The effective tax rates decreased from approximately 17.6% for the year ended 31 March 2015 to approximately 17.3% for the year ended 31 March 2016. It was mainly attributable to the cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets and the impairment loss on available-for-sale financial assets, for the year ended 31 March 2016.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year increased by approximately HK\$11.5 million from approximately HK\$12.1 million for the year ended 31 March 2015 to approximately HK\$23.6 million for the year ended 31 March 2016, representing an increase of approximately 95.0%. The net profit margin improved from approximately 6.6% for the year ended 31 March 2015 to approximately 12.4% for the year ended 31 March 2016. The improvement in net profit margin was mainly attributable to the combined effects of the factors discussed above.

### **Year ended 31 March 2015 compared to year ended 31 March 2014**

#### *Revenue*

Our revenue decreased by approximately HK\$147.0 million from approximately HK\$330.8 million for the year ended 31 March 2014 to approximately HK\$183.8 million for the year ended 31 March 2015, representing a decrease of approximately 44.4%. The decrease was mainly attributable to:

- (i) a residential project for MVAC works in Yuen Long which is the largest project in the year ended 31 March 2014, tender of which was awarded in the year ended 31 March 2012 and revenue of which was mostly recognised in the year ended 31 March 2014, contributed approximately HK\$90.1 million for the year ended 31 March 2014; and

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## FINANCIAL INFORMATION

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- (ii) the second largest to the fifth largest projects in the year ended 31 March 2014, tenders of which were awarded in the years ended 31 March 2012 and 2013 and revenue of which was mostly recognised in the year ended 31 March 2014, contributed HK\$161.5 million for the year ended 31 March 2014.

The substantial part of work of these projects were completed and certified for the year ended 31 March 2014, contributing significantly to our revenue for the year ended 31 March 2014.

On the contrary, the top five projects for the year ended 31 March 2015 only contributed approximately HK\$101.0 million or 54.9% of our Group revenue, represented a decrease of approximately HK\$150.6 million, comparing to the top five projects for the year ended 31 March 2014. For further information, please refer to the section headed “Business — Our projects” in this prospectus.

As set out in the section headed “Business — Operational workflow — Tendering strategy” in this prospectus, in deciding whether to proceed with specific tenders we have to evaluate, among others, manageability and profitability of such projects with reference to our resources, capacity and capability. To ensure the service quality provided to projects awarded in the years ended 31 March 2012 and 2013, including the five largest projects in the year ended 31 March 2014 mentioned above, and to avoid exceeding our capacity, we submitted fewer tenders during the year ended 31 March 2014 and turned to fewer and more manageable projects (i.e. with lower contract value) in the year ended 31 March 2015. Thus, it resulted in a decrease of revenue for the year ended 31 March 2015.

### *Direct costs*

Direct costs decreased by approximately HK\$131.9 million from approximately HK\$293.1 million for the year ended 31 March 2014 to approximately HK\$161.2 million for the year ended 31 March 2015, representing an decrease of approximately 45.0%. Such decrease was generally in line with the decrease in our revenue for the year ended 31 March 2015, which was mainly attributable to the decrease in purchase of materials and equipment and work subcontracted to our subcontractors.

### *Gross profit and gross profit margin*

Our gross profit decreased by approximately HK\$15.1 million from approximately HK\$37.7 million for the year ended 31 March 2014 to approximately HK\$22.6 million for the year ended 31 March 2015, representing a decrease of approximately 40.1%. Further to the paragraphs headed “— Discussion of results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Revenue” and “— Discussion of results of operations — Year ended 31 March 2015 compared to year ended 31 March 2014 — Direct costs” in this section, the decrease in our gross profit was mainly due to the combined effect of:

- (i) the decrease in revenue attributable to the top five projects in the year ended 31 March 2014, tenders of which were awarded in the years ended 31 March 2012 and 2013 and revenue of which was mostly recognised in the year ended 31 March 2014; and
- (ii) the decrease in direct costs mainly attributable to the decrease in purchase of materials and equipment and work subcontracted to our subcontractors.

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## FINANCIAL INFORMATION

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Our gross profit margin slightly increased from approximately 11.4% for the year ended 31 March 2014 to approximately 12.3% for the year ended 31 March 2015 mainly due to the minor change in our project mix among residential and non-residential projects for the years ended 31 March 2014 and 2015. For details of our project mix, please refer to the section headed “Business — Overview” in this prospectus.

### *Other income*

Other income decreased by approximately HK\$0.2 million from approximately HK\$1.0 million for the year ended 31 March 2014 to approximately HK\$0.8 million for the year ended 31 March 2015, which was primarily due to the decrease in sundry income, partly offset by an increase in bank interest income and dividends from available-for-sale financial assets for the year ended 31 March 2015.

### *Other gains and losses*

Other losses decreased from approximately HK\$1.1 million for the year ended 31 March 2014 to approximately HK\$1.0 million for the year ended 31 March 2015, which was due to the combined effect of increase in cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets and decrease in impairment loss on available-for-sale financial assets which is mainly from Hong Kong listed equity investments, partly offset by the increase in net foreign exchange loss for the year ended 31 March 2015.

### *Administrative expenses*

Administrative expenses increased by approximately HK\$0.6 million from approximately HK\$6.5 million for the year ended 31 March 2014 to approximately HK\$7.1 million for the year ended 31 March 2015, representing an increase of approximately 9.2%. The increase was mainly attributable to the increase in directors’ remuneration and administrative staff cost, and depreciation of property and equipment for the year ended 31 March 2015.

### *Finance costs*

Finance costs, which principally represented our interest on bank borrowings, decreased from approximately HK\$0.7 million for the year ended 31 March 2014 to approximately HK\$0.6 million for the year ended 31 March 2015. The decrease was principally related to the decrease in average bank borrowings, mainly due to the repayment of bank borrowings during the year ended 31 March 2015.

### *Income tax expense*

Income tax expense decreased by approximately HK\$2.7 million from approximately HK\$5.3 million for the year ended 31 March 2014 to approximately HK\$2.6 million for the year ended 31 March 2015, representing a decrease of approximately 50.9%. The decrease is principally attributable to the decrease in profit before taxation from approximately HK\$30.3 million for the year ended 31 March 2014 to HK\$14.7 million for the year ended 31 March 2015.

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## FINANCIAL INFORMATION

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The effective tax rates increased from approximately 17.4% for the year ended 31 March 2014 to approximately 17.6% for the year ended 31 March 2015. It was mainly attributable to the cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets and the impairment loss on available-for-sale financial assets, for the year ended 31 March 2015.

### *Profit for the year and net profit margin*

As a result of the foregoing, our profit for the year decreased by approximately HK\$12.9 million from approximately HK\$25.0 million for the year ended 31 March 2014 to approximately HK\$12.1 million for the year ended 31 March 2015, representing a decrease of approximately 51.6%. The net profit margin declined from approximately 7.6% for the year ended 31 March 2014 to approximately 6.6% for the year ended 31 March 2015. The decline in net profit margin was mainly due to the combined effect of the factors discussed above.

### LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are settlements of direct costs, administrative expenses, finance costs, income tax expenses 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.

#### Cash flow

The following table summarised the net cash flow of our activities for the Track Record Period:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from (used in) operating activities	33,656	(28,381)	37,061	9,190	1,600
Net cash (used in) from investing activities	(24,686)	3,612	13,957	4,715	(514)
Net cash from (used in) financing activities	10,412	(11,263)	(4,335)	(2,524)	(961)
Net increase (decrease) in cash and cash equivalents	19,382	(36,032)	46,683	11,381	125
Cash and cash equivalents at the end of the year, represented by bank balances and cash	46,431	10,399	57,082	21,780	57,207

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## FINANCIAL INFORMATION

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### *Cash flow from operating activities*

Net cash from (used in) operating activities primarily consisted of profit before taxation, being adjusted for depreciation of property and equipment, bank interest income, dividend income, finance costs, impairment loss on available-for-sale financial assets, cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets, net effect of changes in working capital and Hong Kong profit 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, equipment and material costs and direct labour cost.

For the three months ended 30 June 2016, our Group had net cash from operating activities of approximately HK\$1.6 million, primarily contributed by the combined effect of (i) the decrease in trade receivables of approximately HK\$20.4 million; (ii) the increase in other payables and accrued charges of approximately HK\$11.4 million; and (iii) the increase in trade and bills payables of approximately HK\$1.8 million. This was partially offset by (i) the change in net amounts due from/to customers for contract work of approximately HK\$23.7 million; (ii) the increase in other receivables, deposits and prepayments of approximately HK\$4.9 million; and (iii) the operating cash flows before movements in working capital of approximately HK\$3.3 million.

For the year ended 31 March 2016, our Group had net cash from operating activities of approximately HK\$37.1 million, primarily contributed by the combined effect of (i) operating cash flows before movements in working capital of approximately HK\$28.6 million; (ii) the decrease in trade receivables of approximately HK\$12.1 million; and (iii) the change in net amounts due from/to customers for contract work of approximately HK\$4.3 million. This was partially offset by the decrease in trade and bills payables of approximately HK\$7.8 million.

For the year ended 31 March 2015, our Group had net cash used in operating activities of approximately HK\$28.4 million, primarily contributed by the combined effect of (i) the increase in trade receivables of approximately HK\$32.9 million; (ii) the payment of Hong Kong profit tax of approximately HK\$4.7 million; (iii) the increase in other receivables, deposits and prepayments of approximately HK\$3.3 million; (iv) the decrease in other payables and accrued charges of approximately HK\$2.4 million; and (v) the decrease in trade and bills payables of approximately HK\$1.5 million. This was partially offset by the operating cash flows before movements in working capital of approximately HK\$16.4 million.

For the year ended 31 March 2014, our Group had net cash from operating activities of approximately HK\$33.7 million, primarily contributed by the combined effect of (i) operating cash flows before movements in working capital of approximately HK\$32.7 million; (ii) the increase in other payables and accrued charges of approximately HK\$12.3 million; and (iii) the decrease in trade receivables of approximately HK\$3.6 million. This was partially offset by (i) the increase in other receivables, deposits and prepayments of approximately HK\$8.1 million; and (ii) the change in net amounts due from/to customers for contract work of approximately HK\$6.7 million.

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## FINANCIAL INFORMATION

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### *Cash flow from investing activities*

Net cash used in investing activities was approximately HK\$0.5 million for the three months ended 30 June 2016, principally representing the purchase of property and equipment of approximately HK\$0.7 million, offset by proceeds from disposal of property and equipment of approximately HK\$0.2 million.

Net cash flow from investing activities was approximately HK\$14.0 million for the year ended 31 March 2016, which primarily representing the combined effect of our net cash inflow from the proceeds from disposal of available-for-sale financial assets of approximately HK\$20.3 million offset with cash used in purchasing available-for-sale financial assets of approximately HK\$11.3 million, withdrawal of short term bank deposits and pledged bank deposits of approximately HK\$2.7 million and repayment from directors of approximately HK\$2.0 million.

Net cash flow from investing activities was approximately HK\$3.6 million for the year ended 31 March 2015, which primarily representing the net cash inflow from the proceeds from disposal of available-for-sale financial assets of approximately HK\$4.1 million offset with cash used in purchasing available-for-sale financial assets of approximately HK\$0.4 million, and the dividend received of approximately HK\$0.4 million. This was partly offset by the advance to directors of approximately HK\$0.5 million.

Net cash flow used in investing activities was approximately HK\$24.7 million for the year ended 31 March 2014, which primarily representing the cash used in purchasing property and equipment of approximately HK\$26.6 million, the net cash outflows used in purchasing available-for-sale financial assets of approximately HK\$6.0 million offset with the proceeds from disposal of available-for-sale financial assets of approximately HK\$1.8 million, and the placement of pledged bank deposits and short term bank deposits of approximately HK\$2.9 million. This was partly offset by the repayment from directors of approximately HK\$8.7 million.

### *Cash flow from financing activities*

Our net cash flow used in financing activities was approximately HK\$1.0 million for the three months ended 30 June 2016, principally representing the repayment of bank borrowings of approximately HK\$0.9 million and the interest paid of approximately HK\$0.1 million.

Our net cash flow used in financing activities was approximately HK\$4.3 million for the year ended 31 March 2016, principally representing the repayment of bank borrowings of approximately HK\$8.4 million and dividends paid to the shareholders of approximately HK\$1.4 million, partially offset by new bank borrowings raised of approximately HK\$6.0 million.

Our net cash flow used in financing activities was approximately HK\$11.3 million for the year ended 31 March 2015, principally representing the dividends paid to the shareholders of approximately HK\$10.0 million and the repayment of bank borrowings of approximately HK\$6.0 million, partially offset by the new bank borrowings raised of approximately HK\$5.3 million.



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## FINANCIAL INFORMATION

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Our net cash flow from financing activities was approximately HK\$10.4 million for the year ended 31 March 2014, principally representing the new bank borrowings raised of approximately HK\$20.5 million, partially offset by the repayment of bank borrowings of approximately HK\$4.8 million, repayment to a director of approximately HK\$4.4 million and interest paid of approximately HK\$0.7 million.

### **Working capital sufficiency**

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account our cash flows from operations, our available banking facilities and the estimated net proceeds from the Global Offering.

### **Capital commitment**

As at 31 March 2014, 2015 and 2016 and 30 June 2016, we had no significant capital commitment.

### **Lease commitment**

On 15 April 2016, Shun Hing HK entered into a tenancy agreement with an Independent Third Party for a term of two years with a monthly rent of HK\$99,115.

## FINANCIAL INFORMATION

### ASSETS AND LIABILITIES

#### Net current assets

The following table shows our current assets and current liabilities as at the dates indicated:

	The Group				
	As at 31 March			As at 30 June	As at 31 October
	2014	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
<b>Current assets</b>					
Trade receivables	7,755	40,641	28,506	8,117	24,029
Other receivables, deposits and prepayments	22,091	25,436	26,652	31,162	34,256
Amounts due from customers for contract work	24,270	26,686	23,704	45,275	58,933
Amount due from a director	1,502	2,002	—	—	—
Tax recoverable	—	55	—	—	—
Short term bank deposits	2,627	2,404	—	—	—
Pledged bank deposits	286	286	—	—	—
Bank balances and cash	<u>46,431</u>	<u>10,399</u>	<u>57,082</u>	<u>57,207</u>	<u>53,610</u>
	<u>104,962</u>	<u>107,909</u>	<u>135,944</u>	<u>141,761</u>	<u>170,828</u>
<b>Current liabilities</b>					
Trade and bills payables	21,710	20,220	12,431	14,200	27,283
Other payables and accrued charges	18,723	16,294	18,636	30,001	40,941
Amounts due to customers for contract work	4,686	7,176	8,530	6,433	8,796
Amounts due to directors	—	—	4,800	—	—
Tax payable	6,943	4,915	8,539	9,113	10,443
Bank borrowings	<u>20,342</u>	<u>19,649</u>	<u>17,219</u>	<u>16,373</u>	<u>15,405</u>
	<u>72,404</u>	<u>68,254</u>	<u>70,155</u>	<u>76,120</u>	<u>102,868</u>
Net current assets	<u><u>32,558</u></u>	<u><u>39,655</u></u>	<u><u>65,789</u></u>	<u><u>65,641</u></u>	<u><u>67,960</u></u>

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## FINANCIAL INFORMATION

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We recorded net current assets as at each of 31 March 2014, 2015 and 2016 which amounted to approximately HK\$32.6 million, HK\$39.7 million and HK\$65.8 million, respectively. We recorded increase in net current assets positions as at 31 March 2016, as compared to the previous financial year end, mainly due to (i) an increase of bank balances and cash of approximately HK\$46.7 million; and (ii) a decrease in trade and bills payable of approximately HK\$7.8 million. The increase in net current assets positions was partly offset by (i) a decrease in trade receivables of approximately HK\$12.1 million; (ii) an increase in amounts due to directors of approximately HK\$4.8 million; (iii) a decrease in net amounts due from customers for contract work of approximately HK\$4.3 million; (iv) an increase in tax payable of approximately HK\$3.6 million; and (v) a decrease in short term bank deposits and pledged bank deposits of approximately HK\$2.7 million. We recorded increase in net current assets positions as at 31 March 2015, as compared to the previous financial year end, mainly due to (i) an increase in trade receivables of approximately HK\$32.9 million; (ii) an increase in other receivables, deposits and prepayments of approximately HK\$3.3 million; (iii) a decrease in other payables and accrued charges of approximately HK\$2.4 million; (iv) a decrease in tax payable of approximately HK\$2.0 million; and (v) a decrease in trade and bills payables of approximately HK\$1.5 million. The increase in net current assets position was partly offset by the decrease in bank balances and cash of approximately HK\$36.0 million.

We recorded net current assets of approximately HK\$65.6 million as at 30 June 2016. The net current assets positions as at 30 June 2016 was close to the level of previous financial year end, mainly due to (i) a decrease in trade receivables of approximately HK\$20.4 million; (ii) an increase in other payables and accrued charges of approximately HK\$11.4 million; and (iii) an increase in trade and bills payables of approximately HK\$1.8 million. The decrease in net current assets positions was partly offset by (i) an increase in net amounts due from customers for contract work of approximately HK\$23.7 million; (ii) a decrease in amounts due to directors of approximately HK\$4.8 million; and (iii) an increase in other receivables, deposits and prepayments of approximately HK\$4.5 million.

As at 31 October 2016, being the latest practicable date for ascertaining our net current assets positions, we recorded net current assets of approximately HK\$68.0 million which is close to the level of the net current assets of approximately HK\$65.6 million as at 30 June 2016.

### **Trade receivables**

Our trade receivables principally represent receivables from our customers arising from the provision of E&M engineering services. In general, we submit an interim payment application to our customers on a monthly basis with details relating to the amount of work done. Upon receiving our interim payment application, our customer's representatives usually certify our work done and issue an interim certificate within 30 days. Our customer are normally required to make payment to us within 30 days after the issue of the interim certificate, deducting any retention money in accordance with the contract. As at 31 March 2014, 2015 and 2016 and 30 June 2016, our trade receivables were approximately HK\$7.8 million, approximately HK\$40.6 million, approximately HK\$28.5 million and approximately HK\$8.1 million, respectively.

Our trade receivables increased from approximately HK\$7.8 million as at 31 March 2014 to approximately HK\$40.6 million as at 31 March 2015 and decreased to approximately HK\$28.5 million as at 31 March 2016 was principally attributable to two residential projects, which had large sum of

## FINANCIAL INFORMATION

billing just raised to our customers for certified work performed by our Group in the last quarter for the year ended 31 March 2015. Our trade receivables further decreased from HK\$28.5 million as at 31 March 2016 to HK\$8.1 million as at 30 June 2016, which was mainly due to (i) the collection of trade receivables from three major customers, which consists of a private hospital, a listed company and a subsidiary of a listed company in Hong Kong, and (ii) small billings raised to our customers for certified work performed by our Group, in the three months ended 30 June 2016.

The following table further summarised the ageing analysis of our trade receivables, based on invoice date, as at the dates indicated:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	7,141	24,060	23,502	4,868
31 - 60 days	119	10,346	2,598	1,864
61 - 90 days	445	4,982	101	606
Over 90 days	50	1,253	2,305	779
	<u>7,755</u>	<u>40,641</u>	<u>28,506</u>	<u>8,117</u>
<b>Average trade receivables turnover days</b> <i>(Note)</i>	10.5	48.1	66.3	36.4

*Note:* Average trade receivables turnover days are calculated based on the average of the beginning and ending trade receivable balances for each of the three years ended 31 March 2016 and the three months ended 30 June 2016 divided by our revenue for the relevant period and multiplied by number of days in the relevant period.

Our average trade receivables turnover days were approximately 10.5 days, 48.1 days, 66.3 days and 36.4 days for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. The average trade receivables turnover days indicates the average number of days required for us to collect payments from our customers. The increase in trade receivables turnover days from approximately 10.5 days for the year ended 31 March 2014 to approximately 48.1 days for the year ended 31 March 2015 was principally attributable to the two aforementioned residential projects, leading to an increase in trade receivables as at 31 March 2015. The increase in trade receivables turnover days from approximately 48.1 days for the year ended 31 March 2015 to approximately 66.3 days for the year ended 31 March 2016 was primarily due to a larger average trade receivable balance, resulted from large billings raised to our customers for certified work performed by our Group in the last quarters for the years ended 31 March 2015 and 2016. The decrease in trade receivables turnover days from approximately 66.3 days for the year ended 31 March 2016 to 36.4 days for the three months ended 30 June 2016 was principally attributable (i) to the collection of trade receivables from three major customers, which consists of a private hospital, a listed company and a subsidiary of a listed company in Hong Kong, and (ii) small billings raised to our customers for certifies work performed by our Group in the three months ended 30 June 2016.

## FINANCIAL INFORMATION

We maintain credit policies setting forth specific credit terms for our different customer types. The credit periods of generally granted to our customers are 30 days. Our trade receivables turnover days during the Track Record Period were generally longer than our credit policies due to delay of settlement of three customers in the years ended 31 March 2015 and 2016. To the best knowledge, information and belief of our Directors after having made reasonable enquiries, these customers are a private hospital, a listed company and a subsidiary of a listed company in Hong Kong. Our Directors considered these customers to be our recurring customers, and therefore allowed flexibility in implementing our credit policies in these projects.

Our Directors determine specific provision for doubtful debts on a case-by-case basis. During the Track Record Period, approximately 7.9%, 40.8%, 17.6% and 40.0% of our trade receivables are past due but not impaired as at 31 March 2014, 2015 and 2016 and 30 June 2016 respectively. We did not make any provision for doubtful debts for such balances as there has not been a significant change in credit quality of the trade receivables and the amounts are considered recoverable. In the event we notice any events or changes in circumstances which indicate the balances may not be collectible such as the customer has any financial or liquidity problem which may result in difficulty in settling the outstanding payment, relevant provision for doubtful debts would be made.

Up to the Latest Practicable Date, approximately 94.0% of the trade receivables as at 30 June 2016 had been settled, of which approximately 85.0% of the trade receivables past due as at 30 June 2016 had been settled.

### Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments consisted of retention receivables, prepayments, other receivables and deposits and the balances are mainly contributed by the retention receivables. As at 31 March 2014, 2015 and 2016 and 30 June 2016 our other receivables, deposits and prepayments were approximately HK\$23.4 million, HK\$26.9 million, HK\$28.1 million and HK\$33.0 million, respectively. The following table sets forth the breakdown of our other receivables, deposits and prepayments:

	The Group			
	As at 31 March			As at
	2014	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	53	53	53	469
Deposits in life insurance policies	1,292	1,415	1,473	1,484
Retention receivables	21,039	24,241	25,553	27,425
Other receivables	388	595	280	822
Prepayments and others	611	547	766	2,827
<b>Total</b>	<b>23,383</b>	<b>26,851</b>	<b>28,125</b>	<b>33,027</b>

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## FINANCIAL INFORMATION

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Retention receivables represents the retention money required by our customers to secure our due performance of the contracts. It is common industry practice that a portion of progress payment is held up by our customers to secure the due performance of our Group. Our customers normally withhold 10% of the certified amount payable to us as retention money until the total retained amount reaches 5% of the total contract value. In general, the retention money will be released to us after the expiry of the defect liability period subject to the confirmation from our customers regarding satisfaction with our works. In line with the progress of our projects, our retention receivables increased from approximately HK\$21.0 million as at 31 March 2014 to approximately HK\$24.2 million as at 31 March 2015, and to approximately HK\$25.6 million as at 31 March 2016 and to approximately HK\$27.4 million as at 30 June 2016.

### Amounts due from (to) customers for contract work

We recognise our revenue based on the percentage of completion of the relevant project, and we issued our billings based on project milestones or the actual progress of our work performed. Where contract costs incurred to date plus recognised profits less foreseeable losses exceed progress billings, the surplus is shown as amounts due from customers for contract work which represented unbilled amounts earned and reimbursable under contracts. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less foreseeable losses, the surplus is shown as amounts due to customers for contract work.

The following table set forth the information regarding the contracts in progress, progress billings and the breakdown of our amounts due from customers for contract works as at the dates indicated:

	As at 31 March			As at
	2014	2015	2016	30 June 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised losses	327,599	272,817	229,280	215,281
Less: Progress billings	<u>(308,015)</u>	<u>(253,307)</u>	<u>(214,106)</u>	<u>(176,439)</u>
	<u>19,584</u>	<u>19,510</u>	<u>15,174</u>	<u>38,842</u>
Analysed as:				
Amounts due from customers for contract work	24,270	26,686	23,704	45,275
Amounts due to customers for contract work	<u>(4,686)</u>	<u>(7,176)</u>	<u>(8,530)</u>	<u>(6,433)</u>
	<u>19,584</u>	<u>19,510</u>	<u>15,174</u>	<u>38,842</u>

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## FINANCIAL INFORMATION

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Our contract costs incurred plus recognised profits less recognised losses decreased from approximately HK\$327.6 million as at 31 March 2014 to approximately HK\$272.8 million as at 31 March 2015, decreased to approximately HK\$229.3 million as at 31 March 2016 and then to approximately HK\$215.3 million as at 30 June 2016.

As at 31 March 2014, 2015 and 2016 and 30 June 2016, our total progress billings were not able to cover all of our total contract costs incurred plus recognised profits less recognised losses, and, accordingly, our amounts due from customers for contract work exceeded the amounts due to customers for contract work as at the respective dates.

The net amounts due from customers for contract work decreased from approximately HK\$19.6 million as at 31 March 2014 to approximately HK\$19.5 million as at 31 March 2015, decreased to approximately HK\$15.2 million as at 31 March 2016 and increased to HK\$38.8 million as at 30 June 2016. The amounts due from/to customers for contract work may vary as they are usually affected by the volume and value of E&M engineering work we performed close to the end of each reporting period, the timing of billing to or payment by our customers, and the timing of billing from and payment to our suppliers and subcontractors.

As of the Latest Practicable Date, the amounts due from customers for contract work as at 31 March 2016 and 30 June 2016 which had subsequently been billed by us amounted to HK\$17.0 million and HK\$32.7 million respectively.

### **Trade and bills payables**

Trade and bills payables principally comprises payables to suppliers of equipment and materials and our subcontractors. As at 31 March 2014, 2015 and 2016 and 30 June 2016, our trade and bills payables were approximately HK\$21.7 million, HK\$20.2 million, HK\$12.4 million and HK\$14.2 million, respectively.

Comparing to 31 March 2014, the balance of trade and bills payables remained stable as at 31 March 2015, despite the direct costs decreased from approximately HK\$293.1 million for the year ended 31 March 2014 to approximately HK\$161.2 million for the year ended 31 March 2015. It was mainly due to the two residential projects, which had large amount of work performed in the last quarter for the year ended 31 March 2015, leading to an increase in trade and bills payables as at 31 March 2015. The trade and bills payables decreased from approximately HK\$20.2 million as at 31 March 2015 to approximately HK\$12.4 million as at 31 March 2016, mainly because we settled the trade payables with a major equipment and material supplier before 31 March 2016. Comparing to 31 March 2016, the balance of trade and bills payables remained relatively stable at approximately HK\$14.2 million as at 30 June 2016.

The credit period of generally granted by our suppliers to us range from 30 to 60 days.

## FINANCIAL INFORMATION

The following table further summarised the ageing analysis of our trade and bills payables as at the dates indicated:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills payables:				
0 - 30 days	17,234	15,144	11,482	13,618
31 - 60 days	3,528	3,110	781	576
Over 60 days	948	1,966	168	6
	<u>21,710</u>	<u>20,220</u>	<u>12,431</u>	<u>14,200</u>
<b>Average trade and bills payables turnover days</b> <sup>(Note)</sup>	26.0	47.5	38.8	30.8

*Note:* Average trade and bills payables turnover days are calculated based on the average of the beginning and ending trade and bills payables balances for each of the three years ended 31 March 2016 and the three months ended 30 June 2016 divided by our direct costs for the relevant period and multiplied by number of days in the relevant period.

Our average trade and bills payables turnover days were approximately 26.0 days, 47.5 days, 38.8 days and 30.8 days for the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. The average trade and bills payables turnover days indicates the average number of days that we settle the payments to our suppliers or subcontractors. Our average trade and bills payables turnover days fell within the credit period granted to us by our suppliers and subcontractors. The increase in trade and bills payables turnover days from approximately 26.0 days for the year ended 31 March 2014 to approximately 47.5 days for the year ended 31 March 2015 was principally attributable to the drop in direct costs from 31 March 2014 to 31 March 2015 while the trade and bills payables balances remained flat as at 31 March 2014 and 31 March 2015. The drop in trade and bills payables turnover days from approximately 47.5 days for the year ended 31 March 2015 to approximately 38.8 days for the year ended 31 March 2016 was principally attributable to settlement of the trade payables with a major equipment and material supplier before 31 March 2016, leading to a decrease in closing balance of trade and bills payables as at 31 March 2016. The decrease in trade and bills payables turnover days from approximately 38.8 days for the year ended 31 March 2016 to 30.8 days for the three months ended 30 June 2016 was mainly due to a lower average trade and bills payables balance attributable to more timely payments to subcontractors and suppliers for the year ended 31 March 2016 and the three months ended 30 June 2016.

Up to the Latest Practicable Date, all of the trade payables as at 30 June 2016 had been settled.

### Other payables and accrued charges

Our other payables and accrued charges primarily consist of retention payables, and accrued staff costs, accrued contract costs and other accrued charges.



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## FINANCIAL INFORMATION

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Retention payables mainly represent the amounts we withhold from progress payments to our subcontractors for 10% of the respective payment amount until the total retained sum reaches 5% of the total contract value to guarantee their work quality. Such retention money is released to our subcontractors upon issuance of the certificates of completion of making good defects at the end of the defect liability period of our projects in accordance with the terms and conditions of the relevant subcontract. Therefore, a significant portion of retention payables remained outstanding as at each balance sheet date. Our retention payables decreased from approximately HK\$10.3 million as at 31 March 2014 to approximately HK\$9.3 million as at 31 March 2015. It decreased to approximately HK\$9.0 million as at 31 March 2016 and approximately HK\$8.8 million as at 30 June 2016 mainly due to the release upon issuance of the certificates of completion of making good defects at the end of the defect liability period of our projects.

Our accrued staff costs, which mainly comprised the accrued staff salaries and retirement benefits scheme contributions, increased from approximately HK\$1.9 million as at 31 March 2014 to approximately HK\$2.4 million as at 31 March 2015, increased to approximately HK\$2.5 million as at 31 March 2016 and further increased to approximately HK\$3.6 million as at 30 June 2016. The increasing trend is generally in line with the salary increment and increase of headcount during the Track Record Period.

Our accrued contract costs mainly represented the costs incurred for works performed by subcontractors but no invoices are received by us yet as at the year ended date. We normally settle the accrued charges within the credit period granted from the date of the receipt of the invoices. The accrued contract costs decreased from approximately HK\$5.6 million as at 31 March 2014 to approximately HK\$3.1 million as at 31 March 2015, increased to approximately HK\$4.2 million as at 31 March 2016 and further increased to approximately HK\$11.5 million as at 30 June 2016. The changes were mainly due to the timing difference of billing by the subcontractors.

### **Property and equipment**

Our property and equipment principally comprised leasehold land and buildings, leasehold improvements, furniture and fixtures, computer and office equipment and motor vehicle. As of 31 March 2014, 2015 and 2016 and 30 June 2016, our property and equipment amounted to approximately HK\$25.7 million, HK\$24.8 million, HK\$23.5 million and HK\$23.9 million, respectively. Leasehold land and buildings, which principally used as our workshop, accounted for approximately 91.2%, 91.8%, 93.8% and 91.6% of our total property and equipment, respectively, as at 31 March 2014, 2015 and 2016 and 30 June 2016.

The decrease in property and equipment in the Track Record Period was principally attributable to the depreciation of property and equipment.

### *Property valuation*

Roma Appraisals Limited, an independent property valuation firm, valued our property interests in leasehold land and buildings in Hong Kong as at 30 September 2016.

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## FINANCIAL INFORMATION

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For details of our Group's properties owned and leased, together with the relevant valuations and valuation certificates, please refer to the section headed "Business — Properties" in this prospectus and the valuation report set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of leasehold land and buildings carried at cost on the audited consolidated statements of financial position as at 30 June 2016 with the valuation of these properties as at 30 September 2016 as set out in the valuation report in Appendix III to this prospectus.

	<u>HK\$'000</u>
Carrying amounts of our property interests in leasehold land and buildings in Hong Kong as at 30 June 2016	21,856
Less: Depreciation for the three months ended 30 September 2016	<u>(177)</u>
Carrying amounts of our property interests in leasehold land and buildings in Hong Kong as at 30 September 2016	21,679
Net revaluation surplus	<u>2,721<sup>(Note)</sup></u>
Valuation as at 30 September 2016	<u><u>24,400</u></u>

*Note:* The net revaluation surplus of leasehold land and buildings under property and equipment was not included in our Group's financial information for the three months ended 30 June 2016 in accordance with our accounting policy to state such property interests at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

### **Available-for-sale financial assets**

Our available-for-sale financial assets mainly comprised equity securities listed in Hong Kong, funds listed in Hong Kong and unlisted funds. As at 31 March 2014 and 2015, our available-for-sale financial assets amounted to approximately HK\$12.1 million and approximately HK\$9.6 million respectively. Our Group did not hold any available-for-sale financial assets as at 31 March 2016 and 30 June 2016.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of available-for-sale financial assets as at the indicated dates:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments:				
- Equity securities listed in Hong Kong	5,569	4,453	—	—
- Funds listed in Hong Kong	1,824	3,008	—	—
	7,393	7,461	—	—
Unlisted investments:				
- Funds	4,716	2,164	—	—
	12,109	9,625	—	—

The decrease in available-for-sale financial assets from 31 March 2014 to 31 March 2015 was principally attributable to the disposal of investment funds during the year. Our Group has disposed all of the available-for-sale financial assets during the year ended 31 March 2016 in the course of regular adjustment of investment and risk portfolio of investment of our Company.

### Capital structure

As at 30 June 2016, we had net assets of approximately HK\$91.0 million, comprising non-current assets of approximately HK\$25.7 million (mainly comprising property and equipment), net current assets of approximately HK\$65.6 million and non-current liabilities of approximately HK\$0.3 million.

### INDEBTEDNESS

#### Bank borrowings of our Group

The table below sets out the indebtedness of our Group as at respective dates indicated.

	As at 31 March			As at 31
	2014	2015	2016	October 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings - secured and guaranteed	13,412	10,635	9,615	9,205
Bank borrowings - unsecured and guaranteed	6,930	9,014	7,604	6,200
	20,342	19,649	17,219	15,405

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## FINANCIAL INFORMATION

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We had amounts due to directors of approximately HK\$4.8 million as at 31 March 2016 as result of part of the Reorganisation, where Triumph Legend had acquired 3,936,000 shares and 864,000 shares of Shun Hing HK from Mr. Yu and Mr. Lau, at a cash consideration of HK\$3,936,000 and HK\$864,000 respectively. The consideration of such transfer had been waived on 31 May 2016.

Our Group had total bank borrowings amounted to approximately HK\$20.3 million, HK\$19.6 million, HK\$17.2 million and HK\$15.4 million as at 31 March 2014, 2015 and 2016 and 31 October 2016, respectively. Among the total bank borrowings, approximately HK\$13.4 million, HK\$10.6 million, HK\$9.6 million and HK\$9.2 million, respectively, was secured by:

- (i) leasehold land and buildings owned by our Group as at 31 March 2014, 2015 and 2016 and 31 October 2016;
- (ii) certain available-for-sale financial assets as at 31 March 2014 and 2015;
- (iii) two properties owned by Mr. Yu as at 31 March 2014 and 2015;
- (iv) a property owned by a related company, which is controlled by Mr. Yu, as at 31 March 2014 and 2015 and 31 October 2016 and two properties owned by the same related company as at 31 March 2016; and
- (v) a property jointly owned by Mr. Yu and his daughter as at 31 March 2014 and 2015.

All bank borrowings were guaranteed by personal guarantees by Mr. Yu and Mr. Lau. In addition, the bank borrowings of approximately HK\$4.1 million, HK\$3.1 million, HK\$7.5 million and HK\$6.2 million as at 31 March 2014, 2015 and 2016 and 31 October 2016 respectively were borrowings guaranteed by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

As at 31 October 2016, our Group has unutilised bank facilities of HK\$18.0 million, which were secured by the leasehold land and buildings owned by our Group, two properties owned by Mr. Yu, a property owned by a related company controlled by Mr. Yu and personal guarantees provided by Mr. Yu and Mr. Lau. Our Directors confirm that the personal guarantees provided by our Directors will be released and replaced by a corporate guarantee provided by our Company and securities provided by our Directors or the related company will be released upon the Listing.

### Contingent liabilities or guarantees

On 1 September 2015, Shun Hing HK has provided a corporate guarantee to Great Rich Investment International Limited (“**Great Rich**”), a company controlled by Mr. Yu, for a banking facility of HK\$4,100,000 which is also under the personal guarantee from Mr. Yu and existed as at 31 March 2016. The corporate guarantee provided by Shun Hing HK was released on 24 June 2016. As at 31 March 2014, 2015 and 2016 and 31 October 2016, performance guarantees of approximately HK\$18.7 million, HK\$17.7 million, HK\$14.8 million and HK\$19.0 million respectively were given by banks in favour of our Group’s customers as security for the due performance and observance of our Group’s obligations under the contracts entered into between our Group and our customers. If our

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## FINANCIAL INFORMATION

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Group fails to provide satisfactory performance to its customers to whom performance guarantee have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. Our Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the contract works. Save as disclosed above, as at 31 March 2014, 2015 and 2016 and 31 October 2016, we had no significant contingent liabilities or outstanding litigation.

Save as disclosed above and apart from intra-group balances, we did not have, at the closure of business on 31 October 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, debt securities, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirmed that since 31 October 2016 and up to the Latest Practicable Date, (i) there has not been any material change in our indebtedness and contingent liabilities; (ii) the bank loans and bank facilities are subject to standard banking conditions and covenants; (iii) we have complied with all of the covenants under our bank borrowings; and (iv) we do not have any material external debt financing plans.

We have not breached any loan covenants during the Track Record Period and up to the Latest Practicable Date and we expect that we will still be able to meet those covenants.

### Directors' confirmation

Our Directors confirm that we had no material defaults in the payment of any payables and bank borrowings, nor any material breaches of the finance covenants during the Track Record Period.

### KEY FINANCIAL RATIOS

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	As at/For the year ended 31 March			For the three months ended/as at 30 June
	2014	2015	2016	2016
	Gross profit margin <sup>(Note 1)</sup>	11.4%	12.3%	19.3%
Net profit (loss) margin <sup>(Note 2)</sup>	7.6%	6.6%	12.4%	(9.1%)
Current ratio <sup>(Note 3)</sup>	1.4 times	1.6 times	1.9 times	1.9 times
Gearing ratio <sup>(Note 4)</sup>	28.6%	26.2%	19.1%	18.0%
Return on total assets <sup>(Note 5)</sup>	17.4%	8.4%	14.7%	(2.5%)
Return on equity <sup>(Note 6)</sup>	35.2%	16.2%	26.2%	(4.6%)

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## FINANCIAL INFORMATION

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*Notes:*

1. Gross profit margin is calculated by dividing gross profit for the relevant period by revenue and multiplying the resulting value by 100%.
2. Net profit margin is calculated by dividing profit for the relevant period by revenue and multiplying the resulting value by 100%.
3. Current ratio is calculated as the total current assets divided by the total current liabilities as at the end of the respective periods.
4. Gearing ratio is calculated as the bank borrowings divided by total equity as at the end of the respective periods and multiplied by 100%.
5. Return on assets is calculated as the net profit divided by the total assets as at the end of the respective periods.
6. Return on equity is calculated as the net profit attributable to our owners divided by the equity attributable to our owners as at the end of the respective periods.

### **Gross profit margin**

Our gross profit margin amounted to approximately 11.4%, 12.3%, 19.3% and 14.0% for the year ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. The increase in gross profit margin in the Track Record Period was mainly attributable to the effect of the factors mentioned above. For further details of our gross profit margin, please refer to the paragraph headed “— Discussion of results of operations” in this section.

### **Net profit (loss) margin**

Our net profit (loss) margin amounted to approximately 7.6%, 6.6%, 12.4% and (9.1%) for the year ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. The change in net profit margin in the Track Record Period was mainly attributable to the effect of the factors mentioned above. The net loss for the three months ended 30 June 2016 was attributable to the listing expenses incurred. For further details of our net profit margin, please refer to the paragraph headed “— Discussion of results of operations” in this section.

### **Current ratio**

Our current ratio increased from approximately 1.4 times as at 31 March 2014 to approximately 1.6 times as at 31 March 2015. The increase was primarily due to the decrease in other payables and accruals contributed by decrease in retention payables and accrued contract costs as at 31 March 2015, and decrease in tax payable in line with the decline of profit before tax for the year ended 31 March 2015. Our current ratio further increased to approximately 1.9 times as at 31 March 2016, principally attributable to the increase in bank balances and cash, partly offset by the decrease in trade receivables as at 31 March 2016. Our current ratio remained stable at 1.9 times as at 30 June 2016. Further details of our net current assets position, tax payable and cash flows are set out in the paragraphs headed “Assets and liabilities” and “Liquidity and capital resources” respectively in this section.

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## FINANCIAL INFORMATION

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### Gearing ratio

Our gearing ratio improved in the Track Record Period from approximately 28.6% as at 31 March 2014 to approximately 26.2% as at 31 March 2015 and improved to approximately 19.1% as at 31 March 2016, which was mainly due to repayment of bank borrowings over the new bank borrowings raised, and the increase in equity contributed by the profit generated in the Track Record Period. Our gearing ratio further improved to approximately 18.0% as at 30 June 2016, which was mainly due to the repayment of bank borrowings, and the increase in equity contributed by the waiver of amounts due to directors during the three months ended 30 June 2016. Further details of our bank borrowings and profit generated in the Track Record Period are set out in the paragraphs headed “— Description of selected components of consolidated income statement”, “— Discussion of results of operations — Finance costs” and “— Indebtedness — Bank borrowings of our Group” in this section.

### Return on total assets

Our return on total assets amounted to approximately 17.4%, 8.4%, 14.7% and (2.5%) for the year ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. The changes in our return on total assets for the three years ended 31 March 2014, 2015 and 2016 were generally in line with the fluctuation of our net profit for the three years as detailed in the above sections. The negative return on total assets for the three months ended 30 June 2016 was attributable to the loss for the three months ended 30 June 2016, mainly due to the listing expenses incurred.

### Return on total equity

Our return on total equity amounted to approximately 35.2%, 16.2%, 26.2% and (4.6%) for the year ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 respectively. The decrease in return on total equity for the year ended 31 March 2015 was principally attributable to the decrease in our net profit for the year ended 31 March 2015, partly offset by the decrease in equity due to dividend declared and distributed to shareholders. The increase in return on total equity for the year ended 31 March 2016 was principally attributable to the increase in our net profit for the year ended 31 March 2016, and the reclassification of investment revaluation reserve from equity to profit or loss upon disposal of available-for-sale financial assets. The negative return on total equity for the three months ended 30 June 2016 was attributable to the loss for the three months ended 30 June 2016, mainly due to listing expenses incurred.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions. All bank borrowings of our Group were guaranteed by personal guarantees by Mr. Yu and Mr. Lau. Further, on 1 September 2015, Shun Hing HK has provided a corporate guarantee to Great Rich, a company controlled by Mr. Yu, for a banking facilities of approximately HK\$4.1 million which is also under the personal guarantee from Mr. Yu. The banking facilities are available to Great Rich only and it can draw the facilities in full at any time. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms and/or that

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## FINANCIAL INFORMATION

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such terms were no less favourable to us than terms available from the Independent Third Parties and were fair and reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

For more information on our related party transactions, see note 29 to our consolidated financial information included in “Appendix I — Accountants’ Report”.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on the provision of E&M engineering services in Hong Kong and our business model have remained unchanged.

Moreover, subsequent to 31 March 2016 and up to the Latest Practicable Date, we had been awarded ten E&M engineering projects with total contract value of approximately HK\$85.5 million and have submitted tenders in respect of five E&M engineering projects with individual contract value of over HK\$50 million. As at 31 October 2016, the estimated aggregate backlog revenue to be generated from the awarded E&M engineering projects would be approximately HK\$607.1 million, as compared to approximately HK\$453.2 million as at 31 October 2015. Moreover, the number of our E&M engineering projects on hand with contract value exceeding HK\$50.0 million has also increased from seven as at 31 October 2015 to eight as at 31 October 2016.

As set out in the paragraph headed “— Description of selected components of consolidated income statement — Revenue” in this prospectus, our revenue may be affected from time to time by the number, size, location and types of projects involved, nature of services to be provided and stage of completion of the projects in the relevant time periods. According to our unaudited management accounts for the seven months ended 31 October 2015, the audited consolidated financial statements for the three months ended 30 June 2016 and the unaudited management accounts for the four months ended 31 October 2016, we recorded an increase in revenue for the seven months ended 31 October 2016 as compared to that for the seven months ended 31 October 2015.

Save as the listing expenses, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period. Furthermore, there has been no material interruption to our business and there has been no material adverse change in the E&M engineering services industry in Hong Kong subsequent to 31 March 2016 and up to the date of this prospectus.

### SUBSEQUENT CHANGES

Our Directors further confirm that they are not aware of any material delay in our projects, cancellation of orders, any material default in payment by our customers, from 30 June 2016 up to the Latest Practicable Date.



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## FINANCIAL INFORMATION

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### OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

### MARKET AND OTHER FINANCIAL RISKS

Our activities expose it to a variety of financial risks, namely credit risk, liquidity risk and interest rate risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. It is our policy not to enter into derivative/investment transaction for speculative purposes.

We set financial risk management policies in accordance with policies and procedures approved by the Board. Our management serves as a centralised unit for providing cost efficient funding and managing major risks.

#### (a) Credit risk

Our credit risk mainly arises from trade receivables, deposits in life insurance policies, amount due from a director, pledged bank deposits, short term bank deposits and bank balances.

Our Group has concentration of credit risks with exposure limited to certain customers. Five largest customers amounting to approximately HK\$7.3 million, HK\$33.4 million, HK\$22.0 million and HK\$5.8 million, respectively, comprised approximately 94.3%, 82.3%, 77.2% and 71.4% of our Group's trade receivables as at 31 March 2014, 2015 and 2016 and 30 June 2016. Our management regularly monitors the subsequent settlement of the customers. In this regard, the management of our Group considers that our Group's credit risk is significantly reduced.

#### (b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows. We also maintain undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

## FINANCIAL INFORMATION

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	21,710	21,710	21,710
Other payables and accrued charges	N/A	—	18,394	18,394	18,394
Bank borrowings					
- fixed rate	5.38	5,275	—	5,275	5,275
- floating rate	2.44	15,067	—	15,067	15,067
		<u>20,342</u>	<u>40,104</u>	<u>60,446</u>	<u>60,446</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	20,220	20,220	20,220
Other payables and accrued charges	N/A	—	15,918	15,918	15,918
Bank borrowings					
- fixed rate	5.46	1,851	—	1,851	1,851
- floating rate	2.23	17,798	—	17,798	17,798
		<u>19,649</u>	<u>36,138</u>	<u>55,787</u>	<u>55,787</u>

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## FINANCIAL INFORMATION

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	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2016					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	12,431	12,431	12,431
Other payables and accrued charges	N/A	—	18,273	18,273	18,273
Amounts due to directors	N/A	4,800	—	4,800	4,800
Bank borrowings					
- fixed rate	5.50	120	—	120	120
- floating rate	2.77	17,099	—	17,099	17,099
Financial guarantee liability	N/A	4,100	—	4,100	—
		<u>26,119</u>	<u>30,704</u>	<u>56,823</u>	<u>52,723</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2016					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	14,200	14,200	14,200
Other payables and accrued charges	N/A	—	29,301	29,301	29,301
Bank borrowings					
- floating rate	2.75	16,373	—	16,373	16,373
		<u>16,373</u>	<u>43,501</u>	<u>59,874</u>	<u>59,874</u>

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## FINANCIAL INFORMATION

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Bank borrowings with a repayment on demand clause are included in the “Repayable on demand” time band in the above maturity analysis. As at 31 March 2014, 2015 and 2016 and 30 June 2016, the aggregate carrying amount of these bank loans amounted to approximately HK\$20.3 million, HK\$19.6 million, HK\$17.2 million and HK\$16.4 million, respectively. Such bank borrowings of our Group were repaid in accordance with the scheduled repayment dates set out in the loan agreements. Our management reviews the expected cash flow information of our Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate					Total undiscounted cash flows	Total carrying amount
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	HK\$’000	HK\$’000
	%	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Bank borrowings:</b>							
As at 31 March 2014	3.21	<u>5,649</u>	<u>3,892</u>	<u>4,843</u>	<u>8,167</u>	<u>22,551</u>	<u>20,342</u>
As at 31 March 2015	2.53	<u>8,216</u>	<u>2,074</u>	<u>3,782</u>	<u>7,275</u>	<u>21,347</u>	<u>19,649</u>
As at 31 March 2016	2.79	<u>3,457</u>	<u>3,252</u>	<u>5,904</u>	<u>6,384</u>	<u>18,997</u>	<u>17,219</u>
As at 30 June 2016	2.75	<u>3,313</u>	<u>3,064</u>	<u>5,491</u>	<u>6,163</u>	<u>18,031</u>	<u>16,373</u>

### (c) Interest rate risk

Our Group’s cash flow interest rate risk primarily relates to the bank balances as well as floating-rate bank borrowings as at 31 March 2014, 2015 and 2016 and 30 June 2016. Our Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and short term bank deposits.

Our Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of our Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate (“**HIBOR**”) arising from our Group’s bank borrowings.

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## FINANCIAL INFORMATION

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### DIVIDEND AND DISTRIBUTABLE RESERVES

We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the absolute discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

During the year ended 31 March 2015, Shun Hing HK declared and paid dividends of HK\$10.0 million (HK\$2.083 per share) to its then shareholders. During the year ended 31 March 2016, Golden Light declared and paid dividends of approximately HK\$1.4 million (HK\$5.560 per share) to its then shareholders. However, these should not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We cannot assure you that we will be able to distribute dividends of the amount below or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

Our Directors confirmed that we do not have distributable reserves as at 30 June 2016.

### LISTING EXPENSES

The total estimated listing expenses in connection with the Global Offering are approximately HK\$27.1 million (based on the mid-point of the Offer Price of HK\$1.125 per Offer Share and assuming no Over-allotment Option will be exercised), of which approximately HK\$1.5 million and HK\$7.2 million has been charged to our consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2016 and for the three months ended 30 June 2016 respectively, and approximately HK\$8.4 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income for the nine months ending 31 March 2017 and approximately HK\$8.0 million is expected to be accounted for as a deduction from equity upon the Listing and the remaining amount of HK\$2.0 million will be payable by the Selling Shareholders.

Our Directors consider that our financial results will be affected by the expenses in relation to the Global Offering as we expect to recognise approximately HK\$15.6 million in the consolidated statements of comprehensive income for the year ending 31 March 2017. Accordingly, the financial performance for the year ending 31 March 2017 is expected to be adversely affected by the estimated expenses in relation to the Listing.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of our Company as if the Global Offering had taken place on 30 June 2016 assuming that the Over-allotment Option is not exercised. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 June 2016 or any future dates following the Global Offering.

	<b>Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016</b>	<b>Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share</b>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$1.00 per Share	<u>90,995</u>	<u>63,919</u>	<u>154,914</u>	<u>0.39</u>
Based on the Offer Price of HK\$1.25 per Share	<u>90,995</u>	<u>83,119</u>	<u>174,114</u>	<u>0.44</u>

*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 is extracted from the Accountants' Report set out in "Appendix I—Accountants' Report" to this prospectus.
- (2) The estimated net proceeds from the issue of our Shares pursuant to the Global Offering are based on 80,000,000 new Shares at the Offer Price of lower limit and upper limit of HK\$1.00 and HK\$1.25 per Share, respectively, after deduction of the underwriting commissions and fees and other related fees incurred by the Group since 1 July 2016 assuming that the Over-allotment Option is not exercised. It does not take into account of any shares (i) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the directors of the Company.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 400,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 30 June 2016 and that the Over-allotment Option is not exercised. It does not take into account of any shares (i) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the directors of the Company.

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## FINANCIAL INFORMATION

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- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result or other transaction of the Group entered into subsequent to 30 June 2016.
- (5) Based on the property valuation report as of 30 September 2016 as set forth in “Appendix III — Property Valuation”, the property interests of the Group attributable to the owners of the Company had a revaluation surplus up to 30 September 2016 of approximately HK\$2.7 million, representing the excess of the market value of these properties (including leasehold land and buildings) over their carrying amounts to the extent attributable to owners of the Company. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has not taken into account of the revaluation surplus of properties held for own use (including leasehold land and buildings), nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 September 2016 is to be incorporated in the Group’s future financial statements, additional annual depreciation of approximately HK\$0.09 million (excluding tax impact) would be charged as expenses.

### DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

On 15 November 2016, our Company, as borrower, entered into a facility agreement with a bank with a facility limit of HK\$29.0 million (the “**Facility Agreement**”). Our Company had made undertakings pursuant to the Facility Agreement including the following: (1) our Company must maintain not less than HK\$5.0 million of average monthly balance in our bank account; (2) Mr. Yu and Mr. Lau undertake to maintain majority shareholding of our Company; (3) our Company shall remain listed on the Stock Exchange and shall not be suspended from trading for more than 20 consecutive trading days (unless the bank accepts our reason for suspension); (4) Mr. Yu shall remain the chairman of our Company or we shall notify the bank 14 days in advance in case he ceases to be the chairman; (5) our Group shall not materially change our nature and scope of business; (6) our Group shall notify the bank of any actual or potential event of default or breach of representation; (7) we have to submit our annual audited financial statements to the bank within 180 days from our financial year end; (8) our Company must maintain tangible net worth of not less than HK\$50.0 million and the ratio of total net debts to tangible net worth shall not exceed 75.0%; and (9) to provide other financial or operational information as requested by the bank. As a result of the above obligations, details of the Facility Agreement are disclosable under Rule 13.18 of the Listing Rules.

Our Directors have confirmed that save as disclosed above, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### NO MATERIAL ADVERSE CHANGE

Save for the listing expenses, our Directors have confirmed that, since 30 June 2016 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial information included in “Appendix I — Accountants’ Report”.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND USE OF PROCEEDS

See the section headed “Business — Our business strategies and future plans” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

The aggregate net proceeds from the Global Offering to us (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$1.125 per Share, being the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.25 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$64.9 million. It is estimated that the total listing expenses of approximately HK\$25.1 million will be incurred and borne by our Company. Our Directors intend to apply the net proceeds from the Global Offering in the following manner:

- approximately HK\$28.6 million, representing approximately 44.0% of the net proceeds from the Global Offering, will be utilised for the development and expansion of E&M engineering services business in the public sector and increasing our competitiveness in the private sector;

Development strategy	Description
By 30 September 2019:	
- To be promoted in the Specialist List from Electrical Installation (Group II) (on probation) to Electrical Installation (Group III)	In order to satisfy the technical, management and experience criteria to attain such qualifications, we plan to utilise proceeds from the Global Offering for the following purposes:
- To be registered in the Specialist List under Plumbing Installation (Group II)	— purchase of plant and equipment;
- To be registered in the list of Registered Subcontractor as Fire Service Installation Contractors in Class 1&2	— employ engineering and technical staff according to the recruitment plan shown in the section headed “Business — Our business strategies and future plans — (i) Developing and expanding our E&M engineering services business in the public sector and increasing our competitiveness in the private sector” in this prospectus
- To be registered in the Specialist List under Fire Installation (Group II)	— obtain relevant ISO qualifications

For details of the requirements for each of the qualifications and registrations, please refer to the section headed “Regulatory overview” in this prospectus and for details of the business strategy regarding development and expansion of E&M engineering services, please refer to the section headed “Business — Our business strategies and future plans” in this prospectus.



## FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$27.9 million, representing approximately 43.0% of the net proceeds from the Global Offering, will be utilised for the provision of performance guarantee so that our Group will be able to tender for more projects and with larger contract value;

In particular, we intend to deploy the net proceeds from the Global Offering for the provision of performance guarantee for the following projects:

Description	Type of project	Contract sum (HK\$'000)	Performance guarantee sum (HK\$'000)	Net proceeds to be utilised for the provision of performance guarantee (HK\$'000)	Commencement date <sup>(Note 2)</sup>
MVAC Installation for a property development at Tseung Kwan O, New Territories	Nominated subcontract	162,439	16,244	16,244	Mid December 2016
MVAC Installation for the proposed residential development at Kai Tak	Nominated subcontract	73,980	7,398	7,398	Late January 2017
Supply and installation of air-conditioning system for subsidised sales flats at Shatin	Nominated subcontract	18,178	910	910	Mid November 2017
Supply and installation of split type air-conditioning system for property development at Tseung Kwan O, New Territories	Nominated subcontract	53,100	5,310	3,334 <sup>(Note 1)</sup>	Mid January 2017

Notes:

1. The remaining performance guarantee sum of approximately HK\$2.0 million is expected to be financed using our Group's internal financial resources.
2. Representing the expected date of commencement when the Group commences the relevant contract works as engaged in respective projects in accordance with the master programme provided by our respective customers.

- approximately HK\$1.9 million, representing approximately 3.0% of the net proceeds from the Global Offering, will be utilised for the installation of ERP system to increase our operational efficiency; and
- the remaining balance of approximately HK\$6.5 million, representing 10.0% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders estimate that they will receive, in aggregate, net proceeds from the Global Offering of approximately HK\$20.5 million, assuming an Offer Price of HK\$1.125 per Share (being the mid-point of the Offer Price range disclosed in this prospectus).

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## FUTURE PLANS AND USE OF PROCEEDS

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If the Offer Price is fixed at the high-end or low-end of the indicative Offer Price range, being HK\$1.25 and HK\$1.00 per Share respectively, and assuming that the Over-allotment Option is not exercised, the net proceeds we receive from the Global Offering will increase or decrease by approximately HK\$9.6 million respectively. We intend to apply the additional 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 by us, will be approximately (i) HK\$18.0 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$1.25 per Share; (ii) HK\$16.2 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$1.125 per Share; and (iii) HK\$14.4 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$1.00 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

### IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for the period from the Latest Practicable Date to 30 September 2019. Based on our Group's business strategies and future plans, our Directors intend to carry out the following implementation plans:

#### *From the Latest Practicable Date to 31 March 2017*

Business Strategy	Implementation plan	Use of proceeds
Developing and expanding our E&M engineering services business in the public sector and increasing our competitiveness in the private sector	<ul style="list-style-type: none"> <li>• To recruit and pay the staff costs of additional technical staff</li> <li>• To obtain ISO certification</li> </ul>	Approximately HK\$0.7 million  Approximately HK\$0.2 million
<ul style="list-style-type: none"> <li>- To be promoted in the Specialist List from Electrical Installation (Group II (on probation)) to Electrical Installation (Group (III))</li> <li>- To be registered in the Specialist List under Plumbing Installation (Group II)</li> <li>- To be registered in the list of Registered Subcontractor as Fire Service Installation Contractors in Class 1&amp;2</li> <li>- To be registered in the Specialist List under Fire Installation (Group II)</li> </ul>		

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## FUTURE PLANS AND USE OF PROCEEDS

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Business Strategy	Implementation plan	Use of proceeds
Increasing our financial capital for new projects	<ul style="list-style-type: none"> <li>To undertake more E&amp;M engineering services projects and reserve for satisfying potential customers' requirement for performance guarantee</li> </ul>	Approximately HK\$27.9 million
<b>Total:</b>		<b>Approximately HK\$28.8 million</b>

### *From 1 April 2017 to 31 March 2018*

Business Strategy	Implementation plan	Use of proceeds
Developing and expanding our E&M engineering services business in the public sector and increasing our competitiveness in the private sector	<ul style="list-style-type: none"> <li>To recruit and pay the staff costs of additional technical staff</li> <li>To deploy additional plant and equipment</li> </ul>	<p>Approximately HK\$7.4 million</p> <p>Approximately HK\$0.6 million</p>
<ul style="list-style-type: none"> <li>- To be promoted in the Specialist List from Electrical Installation (Group II (on probation)) to Electrical Installation (Group (III))</li> <li>- To be registered in the Specialist List under Plumbing Installation (Group II)</li> <li>- To be registered in the list of Registered Subcontractor as Fire Service Installation Contractors in Classes 1&amp;2</li> <li>- To be registered in the Specialist List under Fire Installation (Group II)</li> </ul>		
Installation of information technology and human resources management capabilities	<ul style="list-style-type: none"> <li>Installation of information technology system</li> </ul>	Approximately HK\$1.9 million
<b>Total:</b>		<b>Approximately HK\$9.9 million</b>

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## FUTURE PLANS AND USE OF PROCEEDS

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*From 1 April 2018 to 31 March 2019*

<u>Business Strategy</u>	<u>Implementation plan</u>	<u>Use of proceeds</u>
<p>Developing and expanding our E&amp;M engineering services business in the public sector and increasing our competitiveness in the private sector</p> <ul style="list-style-type: none"> <li>- To be promoted in the List of Specialist List from Electrical Installation (Group II (on probation)) to Electrical Installation (Group (III))</li> <li>- To be registered in the Specialist List under Plumbing Installation (Group II)</li> <li>- To be registered in the list of Registered Subcontractor as Fire Service Installation Contractors in Class 1&amp;2</li> <li>- To be registered in the Specialist List under Fire Installation (Group II)</li> </ul>	<ul style="list-style-type: none"> <li>• To recruit and pay the staff costs of additional technical staff</li> </ul>	<p>Approximately HK\$12.7 million</p>
<p><b>Total:</b></p>		<p><b>Approximately HK\$12.7 million</b></p>

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## FUTURE PLANS AND USE OF PROCEEDS

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*From 1 April 2019 to 30 September 2019*

<u>Business Strategy</u>	<u>Implementation plan</u>	<u>Use of proceeds</u>
Developing and expanding our E&M engineering services business in the public sector and increasing our competitiveness in the private sector	<ul style="list-style-type: none"><li>• To recruit and pay the staff costs of additional technical staff</li></ul>	Approximately HK\$7.0 million
- To be promoted in the Specialist List from Electrical Installation (Group II (on probation)) to Electrical Installation (Group (III))		
- To be registered in the Specialist List under Plumbing Installation (Group II)		
- To be registered in the list of Registered Subcontractor as Fire Service Installation Contractors in Class 1&2		
- To be registered in the Specialist List under Fire Installation (Group II)		
<b>Total:</b>		<b>Approximately HK\$7.0 million</b>

### REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

Our Directors believe that the Global Offering will enhance our profile, strengthen our competitiveness and financial position, and provide us with additional working capital to implement our future plans as set out in the section headed “Business — Our business strategies and future plans” in this prospectus and the paragraph headed “— Implementation plan” in this section.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue announcement and make disclosure in our interim report and / or annual report for the relevant period as required by the Stock Exchange.

In respect of net proceeds from the Global Offering which are not immediately required for the above purpose as set out in the paragraph headed “— Implementation plan” in this section, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Pacific Foundation Securities Limited  
Innovax Capital Limited  
CNI Securities Group Limited  
HF Securities and Futures Limited  
Sinolink Securities (Hong Kong) Company Limited  
Sorrento Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on Friday, 16 December 2016. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 10,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue, the Offer Shares (including any Shares which may be issued or sold under the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

##### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (a) there develops, occurs, exists or comes into force:
  - (i) any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing a change or development, or any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without

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## UNDERWRITING

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limitation, conditions in stock and bond markets, money and foreign exchange markets, credit 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 Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to any member of the Group (collectively, the “**Relevant Jurisdictions**”, 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 or development involving a prospective 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, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), Middle East Respiratory Syndromes (MERS), H5N1, H1N1, swine or avian influenza or such related/mutated forms)), economic sanctions, in or affecting any Relevant Jurisdiction; 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 Relevant Jurisdiction; or
- (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of exchange controls), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or

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## UNDERWRITING

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- (viii) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or
- (x) save as disclosed in this prospectus, a demand by any tax authority for payment for any tax liability for any member of our Group; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of our Company vacating his office; or
- (xiii) an authority or a political body or organisation in an jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or any applicable laws or regulations in the Cayman Islands, Hong Kong and the BVI; or
- (xv) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with our creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our 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 our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xvi) a demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable to its stated maturity; or
- (xvii) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of our respective obligations or non-compliance with the applicable laws and regulations (however caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (the "Covenantors"); or



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## UNDERWRITING

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- (xix) a prohibition on our Company or the Selling Shareholders for whatever reason from allotting or selling the Offer Shares (including our Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (xx) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of our Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
  - (xxi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of our Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
  - (xxii) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or
  - (xxiii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus,
- and which, individually or in aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters),
- (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operations, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or
  - (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
  - (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or
  - (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

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## UNDERWRITING

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- (b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or
  - (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
  - (iii) that any of the warranties given by our Company or the Covenantors as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
  - (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Hong Kong Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or
  - (v) that any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Hong Kong Underwriters or the International Underwriters); or
  - (vi) that any adverse change or prospective adverse change in the condition, business, assets and liabilities, properties, profits, losses, results of operations, financial, general affairs, shareholders' equity, management, trading position, prospects, position or condition, financial or otherwise, or performance of our Company and/or our subsidiaries as a whole, whether or not arising in the ordinary course of business, as determined by the Joint Global Coordinators in their sole and absolute discretion; or
  - (vii) that our Company withdraws this prospectus and/or the Application Forms; or
  - (viii) that approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued or sold (including any additional Shares that may be issued or sold

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## UNDERWRITING

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pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

- (ix) that any of the experts described under “Statutory and General Information — E. Other information — 6. Qualifications of experts” in Appendix V to this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

### *Undertakings by our Company to the Stock Exchange pursuant to Rule 10.08 of the Listing Rules*

We have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

### *Undertakings by our Company to the Joint Global Coordinators pursuant to the Hong Kong Underwriting Agreement*

We have undertaken to the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) inter alia, pursuant to the Hong Kong Underwriting Agreement, that we will not, and will procure that our subsidiaries will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the six months after the Listing Date (the “**First Six-Month Period**”), (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein or any voting right or any right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders, details of which are set out in Appendix V to this prospectus; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction with the same economic effect as any forgoing transaction described in (i) and (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii) above; whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of shares capital or such

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## UNDERWRITING

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other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), and our Company has further agreed that, in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period immediately following the First Six-Month Period, we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

### *Undertakings by our Controlling Shareholders to the Stock Exchange*

Each of our Controlling Shareholders, namely Mr. Yu, Mr. Lau, Prosperously Legend and Simply Grace has undertaken to the Stock Exchange on a voluntarily basis that except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the stock borrowing arrangement, he/it will not at any time during the period commencing on the date by reference to which disclosure of their shareholdings is made in this prospectus and ending on the date which is the first anniversary after the Listing Date (the “**First Anniversary Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners.

Note (2) to Rule 10.07 of the Listing Rules provides that the rule does not prevent our Controlling Shareholders from using the Shares owned by him/it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange on a voluntary basis that he/it will, within a period of 36 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any of our Shares or securities of our Company beneficially owned by him/it in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by him/it, either verbal or written, from any pledgee or chargee of any of our Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under the Listing Rules as soon as possible after being so informed by such Controlling Shareholders.

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## UNDERWRITING

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### *Undertakings by our Controlling Shareholders to our Company*

Each of our Controlling Shareholders has undertaken to our Company that he/it will not at any time during the two-year period commencing on the date on which the First Anniversary Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they, as a group of Controlling Shareholders would then cease to be a group of our Controlling Shareholders, provided that the restriction shall not prevent our Controlling Shareholders from using the Shares owned by him/it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan. Any waiver of such undertakings shall be subject to approval of independent Shareholders.

### *Undertakings by our Controlling Shareholders to the Joint Global Coordinators pursuant to the Hong Kong Underwriting Agreement*

Each of our Controlling Shareholders has jointly and severally undertaken to the Joint Global Coordinators (acting for themselves and on behalf of the Hong Kong Underwriters) pursuant to the Hong Kong Underwriting Agreement, that except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the stock borrowing arrangement, he/it will not, without the prior written consent of the Joint Global Coordinators (acting for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (i) at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the first anniversary after the Listing Date (the “**First Anniversary Period**”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him/it or any voting right or any other right attaching thereto (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or other such securities, in cash or otherwise or offer or to agree to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; or (ii) at any time during the two-year period immediately following the First Anniversary Period enter into any of the transactions described in (i) above if, immediately following such transaction, he/it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong

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## UNDERWRITING

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Kong) for a bona fide commercial loan; and (iii) in the event of a disposal by him/it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

### **International Placing**

#### *International Underwriting Agreement*

In connection with the International Placing, our Company expects to enter into the International Underwriting Agreement with, among others, our Controlling Shareholders, the Selling Shareholders and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraphs headed “— Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Company to the Stock Exchange pursuant to Rule 10.08 of the Listing Rules” and “— Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Company to the Joint Global Coordinators pursuant to the Hong Kong Underwriting Agreement” in this section.

Under the International Underwriting Agreement, our Company expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering. These additional Shares will be issued or sold at the Offer Price and used to cover over-allocation, if any, in the International Placing.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in the paragraphs headed “— Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Controlling Shareholders to the Stock Exchange”, “— Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Controlling Shareholders to the Company” and “— Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings by our Controlling Shareholders to the Joint Global Coordinators pursuant to the Hong Kong Underwriting Agreement” in this section.

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## UNDERWRITING

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### *Underwriting Commission and Expenses*

The Hong Kong Underwriters will receive a commission of 4.0% of the aggregate Offer Price of all the Offer Shares (including any Shares to be allotted and issued pursuant to the Over-allotment Option but excluding any Sale Shares the underwriting commission for which will be borne by the Selling Shareholders), out of which they will pay any sub-underwriting commission. The commission payable to the International Underwriters and the Hong Kong Underwriters, the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering (comprising 80,000,000 new Shares to be offered for subscription by our Company and 20,000,000 Sale Shares to be offered for sale by the Selling Shareholders in the Global Offering) are currently estimated to be about HK\$25.1 million in aggregate (based on an Offer Price of HK\$1.125 per Share, being the mid-point of the stated range of the Offer Price between HK\$1.00 and HK\$1.25 per Share, and on the assumption that the Over-allotment Option is not exercised) is to be borne by our Company. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

The Selling Shareholders will pay underwriting commission, brokerage, SFC transaction levy and Stock Exchange trading fee and any stamp or capital duty (if any) or premium duty (if any) in respect of the Sale Shares.

### **INDEMNITY**

Our Company, each of our Controlling Shareholders and the Selling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### **SOLE SPONSOR INDEPENDENCE**

The Sole Sponsor satisfies the independence criteria applicable set out in Rule 3A.07 of the Listing Rules. See the section headed “Statutory and general information — E. Other Information — 3. Sole Sponsor” in Appendix V to this prospectus for further information.

### **UNDERWRITERS’ INTERESTS IN OUR COMPANY**

The Joint Global Coordinators and other Underwriters will receive an underwriting commission. Particulars of these under underwriting commission and expenses are set out in the paragraph headed “— Underwriting arrangements and expenses — International Placing — Underwriting commission and expenses” in this section for further information.

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## UNDERWRITING

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Our Company have appointed Innovax Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 3A.46 of the Listing Rules in respect of its financial results for the first financial year commencing after such Listing Date, or until the agreement is terminated, whichever is earlier.

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.



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## UNDERWRITING

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In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed “Structure and conditions of the Global Offering” in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Innovax Capital is the Sole Sponsor. Pacific Foundation Securities Limited and Innovax Capital are the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 10,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described under the paragraph headed “— The Hong Kong Public Offering” in this section below; and
- the International Placing of 90,000,000 Shares, comprising 70,000,000 Shares to be offered by us and 20,000,000 Sale Shares to be offered by the Selling Shareholders (subject to adjustment as mentioned below), outside the United States in reliance on Regulation S of the U.S. Securities Act as described under the paragraph headed “— The International Placing” in this section below.

Up to 15,000,000 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set forth in the paragraph headed “— Over-allotment Option” in this section.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to adjustment as described in the paragraph headed “— Pricing and allocation” in this section.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$1.25 per Offer Share and is expected to be not less than HK\$1.00 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

### **Price payable on application**

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$1.25 per Hong Kong Offer Share plus 1% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,525.20 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.25, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. For further details, please refer to the section headed “How to apply for the Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus.

### **Determining the Offer Price**

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about the Price Determination Date.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, 28 December 2016 and in any event, no later than 12:00 noon on Friday, 30 December 2016.

**If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Friday, 30 December 2016, the Global Offering will not proceed and will lapse.**

### **Reduction in Offer Price range and/or number of Offer Shares**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company (for ourselves and on behalf of the Selling Shareholders), the indicative Offer Price range and/or the number of Hong Kong Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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In such a case, our Company (for ourselves and on behalf of the Selling Shareholders) will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and Sing Tao Daily (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

**Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.**

### **Allocation**

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of our Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the International Placing, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Friday, 30 December 2016 in The Standard (in English) and Sing Tao Daily (in Chinese).

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** Service, will be made available through a variety of channels as described in the section headed “How to apply for the Hong Kong Offer Shares — 11. Publication of results” in this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including the exercise of the Over-allotment Option, and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or around the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under each of the International Underwriting Agreement and the Hong Kong Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us in *The Standard* (in English) and *Sing Tao Daily* (in Chinese) on the next day following such lapse. In such event, all application monies will be returned without interest on the terms set out in the section headed “How to apply for the Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Share certificates for the Offer Shares are expected to be issued on Friday, 30 December 2016 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 3 January 2017, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

### THE HONG KONG PUBLIC OFFERING

#### Number of Shares initially offered

Our Company is initially offering 10,000,000 Shares at the Offer Price representing 10% of the 100,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 15% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “— Conditions of the Global Offering” in this section.

#### Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 5,000,000 Hong Kong Offer Shares and Pool B will comprise 5,000,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected.

No application will be accepted from applicants for more than 5,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### **Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000, 40,000,000 and 50,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B equally.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deems appropriate. In addition, the Joint Global Coordinators may reallocate International Placing Shares (other than Sale Shares which are to be offered for sale by the Selling Shareholders pursuant to the International Placing) from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares (other than the Sale Shares which are to be offered for sale by the Selling Shareholders pursuant to the International Placing) to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

### **Applications**

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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### THE INTERNATIONAL PLACING

#### Number of Offer Shares offered

The number of the Offer Shares to be initially offered for subscription by our Company and for sale by the Selling Shareholders under the International Placing will be 90,000,000 Shares, representing 90% of the Offer Shares under the Global Offering (comprising 70,000,000 new Shares and 20,000,000 Sale Shares). The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

#### Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the Securities Act. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “—Pricing and allocation” in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its International Placing Shares after Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

### OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), under the International Underwriting Agreement. Under the Over-allotment Option, which will be exercisable at any time for up to 30 days after the last day for lodging of applications under the Hong Kong Public Offering, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an aggregate of 15,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent 3.75% of the total Shares in issue immediately after completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be published in The Standard (in English) and Sing Tao Daily (in Chinese).

### STOCK BORROWING AGREEMENT

Pacific Foundation Securities Limited, as the Stabilising Manager, or any person acting for it may choose to borrow Shares from Prosperously Legend under the Stock Borrowing Agreement, or



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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Prosperously Legend will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- the maximum number of Shares borrowed from Prosperously Legend under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Prosperously Legend or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Prosperously Legend by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

### STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price in Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Pacific Foundation Securities Limited, as Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Offer Shares that may be sold under the Over-allotment Option, namely, 15,000,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

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## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell the Offer Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Offer Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Offer Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell any Offer Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- 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 paid by applicants for, or investors in our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 15,000,000 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

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

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particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 15,000,000 Shares from Prosperously Legend, equivalent to the maximum number of Shares to be issued on the full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

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

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 3 January 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 3 January 2017. The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares will be 1637.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, **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 Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong 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;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong 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 Monday, 19 December 2016 until 12:00 noon on Thursday, 22 December 2016 from:

- (i) the following address of the Hong Kong Underwriters:
  - Pacific Foundation Securities Limited, 11/F, New World Tower II, 16-18 Queen's Road Central, Hong Kong
  - Innovax Capital Limited, Room 2002, 20/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- CNI Securities Group Limited, 10/F, Sun's Group Centre, 200 Gloucester Road, Wanchai, Hong Kong
- HF Securities and Futures Limited, Room 1605-06, South Tower Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Hong Kong
- Sinolink Securities (Hong Kong) Company Limited, Units 2503, 2505-06, 25/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
- Sorrento Securities Limited, 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch Shek Tong Tsui Branch	3/F, 1 Garden Road 534 Queen's Road West, Shek Tong Tsui
Kowloon	Prince Edward Branch Telford Gardens Branch	774 Nathan Road, Kowloon Shop P2 Telford Gardens, Kowloon Bay
New Territories	Citywalk Branch Fo Tan Branch	Shop 65, G/F, Citywalk, 1 Yeung Uk Road, Tsuen Wan No 2,1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 19 December 2016 until 12:00 noon on Thursday, 22 December 2016 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 — SH 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:

- Monday, 19 December 2016 — 9:00 a.m. to 5:00 p.m.
- Tuesday, 20 December 2016 — 9:00 a.m. to 5:00 p.m.
- Wednesday, 21 December 2016 — 9:00 a.m. to 5:00 p.m.
- Thursday, 22 December 2016 — 9:00 a.m. to 12:00 noon

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 22 December 2016, the last application day or such later time as described in the paragraph headed "— 10. Effect of bad weather on the opening of the application lists" in this section.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (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 Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Selling Shareholders, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Selling Shareholders, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholders, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company (for ourselves and on behalf of the Selling Shareholders) 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 have fulfilled the criteria mentioned in "Personal Collection" section in the Prospectus to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (a) 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
  - (b) 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 **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 **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 19 December 2016 until 11:30 a.m. on Thursday, 22 December 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 22 December 2016 or such later time under the paragraph headed “— 10. Effect of bad weather on the opening 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 Hong Kong 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 application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place  
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 Hong Kong 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 Joint Global Coordinators and our Hong Kong Branch Share Registrar.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### GIVING ELECTRONIC APPLICATION INSTRUCTIONS to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong 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 Hong Kong 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 International Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, the Selling Shareholders, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong 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 Hong Kong 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;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- agree that none of our Company, the Selling Shareholders, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Selling Shareholders, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to 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 Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong 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, the Companies Ordinance and the Articles of Association; and

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- 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 Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong 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 Hong Kong 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:

- Monday, 19 December 2016 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, 20 December 2016 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, 21 December 2016 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, 22 December 2016 — 8:00 a.m.<sup>(1)</sup> to 12:00 noon

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 19 December 2016 until 12:00 noon on Thursday, 22 December 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 22 December 2016, the last application day or such later time as described in the paragraph headed “— 10. Effect of bad weather on the opening of the application lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal data” applies to any personal data held by our Company, the Selling Shareholders, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, 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 Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong 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

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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day in making your electronic applications. Our Company, the Selling Shareholders, our Directors, the Joint Bookrunners, the Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 22 December 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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 **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 December 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Thursday, 22 December 2016 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 International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 30 December 2016 in The Standard (in English) and Sing Tao Daily (in Chinese) on our Company’s website at **www.shunhingeng.com** and the website of the Stock Exchange at **www.hkexnews.hk**.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.shunhingeng.com](http://www.shunhingeng.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Friday, 30 December 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 30 December 2016 to 12:00 mid-night on Thursday, 5 January 2017;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 30 December 2016 to Thursday, 5 January 2017 (excluding Saturday, Sunday and public holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 30 December 2016 to Wednesday, 4 January 2017 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- your **electronic application instructions** through **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators 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 Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.25 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" 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 or before Friday, 30 December 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our 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 Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- 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 Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, 30 December 2016. 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 Tuesday, 3 January 2017 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **(i) *If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 30 December 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 30 December 2016, by ordinary post and at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 30 December 2016, 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 Friday, 30 December 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering 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 Friday, 30 December 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 30 December 2016, or such other date as notified by our Company in the newspapers 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 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 30 December 2016 by ordinary post at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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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.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 30 December 2016, 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 Hong Kong Public Offering in the manner specified in the paragraph headed "— 11. Publication of results" in this section on Friday, 30 December 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 30 December 2016 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 Hong Kong 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 Hong Kong 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 Friday, 30 December 2016. Immediately following the credit of the Hong Kong 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 Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 30 December 2016.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares 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 our Shares to be admitted into CCASS.

# Deloitte.

# 德勤

35/F One Pacific Place  
88 Queensway  
Hong Kong

19 December 2016

The Directors  
SH Group (Holdings) Limited

Innovax Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to SH Group (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 March 2016 and the three months ended 30 June 2016 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 19 December 2016 in connection with the proposed listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 9 May 2016. Through a group reorganisation as more fully explained in the section headed “History, reorganisation and corporate structure” of the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 30 June 2016.

Particulars of the Company’s subsidiaries at the end of each reporting period and as at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at				Date of this report	Principal activities
				31 March		30 June			
				2014	2015	2016	2016		
Triumph Legend Ltd (“Triumph Legend”)	The British Virgin Islands (The “BVI”) 16 March 2016	Hong Kong	United States Dollar (“USD”) 1,000	N/A	N/A	100%	100%	100%	Investment holding
Blissful Choice Limited (“Blissful Choice”)	The BVI 18 April 2016	Hong Kong	USD1,000	N/A	N/A	N/A	100%	100%	Investment holding
Shun Hing E & M Engineering Limited (“Shun Hing HK”)	Hong Kong 11 August 1987	Hong Kong	Hong Kong dollar (“HK\$”) 4,800,000	100%	100%	100%	100%	100%	Provision of electrical and mechanical engineering services
Golden Light Engineering Limited (“Golden Light”)	Hong Kong 28 November 1986	Hong Kong	HK\$250,000	100%	100%	100%	100%	100%	Procuring of air-conditioning equipment for group company



All the companies comprising the Group have adopted 31 March as their financial year end date.

No statutory financial statements have been prepared for Triumph Legend and Blissful Choice as they were incorporated in the jurisdiction where there is no statutory audit requirements.

We have acted as the statutory auditor of Shun Hing HK and Golden Light for the year ended 31 March 2016 and the statutory financial statements of Shun Hing HK and Golden Light for the year ended 31 March 2016 are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The statutory financial statements of Shun Hing HK and Golden Light for each of the two years ended 31 March 2015, which are prepared in accordance with the Hong Kong Financial Reporting Standards for Private Entities issued by the HKICPA and Small and Medium-sized Entity Financial Reporting Standard issued by the HKICPA, respectively, were audited by Francis S.L. Yan & Co., Certified Public Accountants registered in Hong Kong.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (collectively referred to as the “Underlying Financial Statements”). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 to the Financial Information. No adjustment has been made to the Underlying Financial Statements for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated financial position of the Group as at 31 March 2014, 2015 and 2016 and 30 June 2016 and the financial position of the Company as at 30 June 2016, and of the consolidated financial performance and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the three months ended 30 June 2015 together with the notes thereon have been extracted from the Group’s unaudited consolidated financial information for the same period (the “30 June 2015 Financial Information”) which was prepared by the directors of the Company solely for the purpose

of this report. We have reviewed the 30 June 2015 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the 30 June 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## (A) FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

NOTES	For the year ended 31 March			For the three months ended 30 June		
	2014	2015	2016	2015	2016	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
				<i>(unaudited)</i>		
Revenue	7	330,772	183,788	190,242	42,466	45,752
Direct costs		(293,087)	(161,175)	(153,493)	(37,523)	(39,342)
Gross profit		37,685	22,613	36,749	4,943	6,410
Other income	9	978	822	569	103	15
Other gains and losses	9	(1,114)	(1,044)	1,190	1,150	180
Administrative expenses		(6,549)	(7,089)	(7,877)	(2,012)	(2,937)
Listing expenses		—	—	(1,515)	—	(7,153)
Finance costs	10	(723)	(570)	(515)	(114)	(115)
Profit (loss) before taxation	11	30,277	14,732	28,601	4,070	(3,600)
Income tax expense	12	(5,259)	(2,590)	(4,953)	(520)	(586)
Profit (loss) for the year/period		25,018	12,142	23,648	3,550	(4,186)
Other comprehensive (expense) income:						
Items that may be reclassified subsequently to profit or loss:						
Fair value (loss) gain on available-for-sale financial assets		(820)	1,227	(682)	769	—
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets		(83)	(406)	(1,354)	(1,108)	—
Cumulative loss reclassified from equity to profit or loss upon impairment of available-for-sale financial assets		958	836	—	—	—
Other comprehensive income (expense) for the year/period		55	1,657	(2,036)	(339)	—
Total comprehensive income (expense) for the year/period		25,073	13,799	21,612	3,211	(4,186)
Earnings (loss) per share						
Basic (HK cents)	14	7.8	3.8	7.4	1.1	(1.3)

## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group			The Company	
		As at 31 March			As at	As at
		2014	2015	2016	30 June	30 June
		HK\$'000	HK\$'000	HK\$'000	2016	2016
			HK\$'000	HK\$'000	HK\$'000	
Non-current assets						
Property and equipment	15	25,713	24,761	23,496	23,853	—
Deposits	18	1,292	1,415	1,473	1,865	—
Available-for-sale financial assets	16	12,109	9,625	—	—	—
Unlisted investments in subsidiaries		—	—	—	—	23
		<u>39,114</u>	<u>35,801</u>	<u>24,969</u>	<u>25,718</u>	<u>23</u>
Current assets						
Trade receivables	17	7,755	40,641	28,506	8,117	—
Other receivables, deposits and prepayments	18	22,091	25,436	26,652	31,162	2,637
Amounts due from customers for contract work	19	24,270	26,686	23,704	45,275	—
Amount due from a director	20	1,502	2,002	—	—	—
Tax recoverable		—	55	—	—	—
Short term bank deposits	21	2,627	2,404	—	—	—
Pledged bank deposits	21	286	286	—	—	—
Bank balances and cash	21	46,431	10,399	57,082	57,207	—
		<u>104,962</u>	<u>107,909</u>	<u>135,944</u>	<u>141,761</u>	<u>2,637</u>
Current liabilities						
Trade and bills payables	22	21,710	20,220	12,431	14,200	—
Other payables and accrued charges	23	18,723	16,294	18,636	30,001	3,762
Amounts due to customers for contract work	19	4,686	7,176	8,530	6,433	—
Amounts due to directors	20	—	—	4,800	—	—
Amount due to a subsidiary	20	—	—	—	—	6,028
Tax payable		6,943	4,915	8,539	9,113	—
Bank borrowings	24	20,342	19,649	17,219	16,373	—
		<u>72,404</u>	<u>68,254</u>	<u>70,155</u>	<u>76,120</u>	<u>9,790</u>
Net current assets (liabilities)		<u>32,558</u>	<u>39,655</u>	<u>65,789</u>	<u>65,641</u>	<u>(7,153)</u>
Total assets less current liabilities		<u>71,672</u>	<u>75,456</u>	<u>90,758</u>	<u>91,359</u>	<u>(7,130)</u>
Non-current liabilities						
Deferred tax liabilities	25	110	93	21	33	—
Provisions	26	410	412	364	331	—
		<u>520</u>	<u>505</u>	<u>385</u>	<u>364</u>	<u>—</u>
Net assets (liabilities)		<u>71,152</u>	<u>74,951</u>	<u>90,373</u>	<u>90,995</u>	<u>(7,130)</u>
Capital and reserves						
Issued share capital	27	5,050	5,050	258	—	—
Reserves		66,102	69,901	90,115	90,995	(7,130)
Equity attributable to owners of the Company		<u>71,152</u>	<u>74,951</u>	<u>90,373</u>	<u>90,995</u>	<u>(7,130)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued share capital	Other reserve	Investment revaluation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2013	5,050	—	324	40,705	46,079
Profit for the year	—	—	—	25,018	25,018
Other comprehensive income for the year	—	—	55	—	55
Total comprehensive income for the year	—	—	55	25,018	25,073
At 31 March 2014	5,050	—	379	65,723	71,152
Profit for the year	—	—	—	12,142	12,142
Other comprehensive income for the year	—	—	1,657	—	1,657
Total comprehensive income for the year	—	—	1,657	12,142	13,799
Dividends paid (note 13)	—	—	—	(10,000)	(10,000)
At 31 March 2015	5,050	—	2,036	67,865	74,951
Profit for the year	—	—	—	23,648	23,648
Other comprehensive expense for the year	—	—	(2,036)	—	(2,036)
Total comprehensive (expense) income for the year	—	—	(2,036)	23,648	21,612
Dividends paid (note 13)	—	—	—	(1,390)	(1,390)
Reserve arising from group reorganisation	(4,792)	(8)	—	—	(4,800)
At 31 March 2016	258	(8)	—	90,123	90,373
Loss and total comprehensive expense for the period	—	—	—	(4,186)	(4,186)
Reserve arising from group reorganisation	(258)	266	—	—	8
Waiver of amounts due to directors (note 33)	—	4,800	—	—	4,800
At 30 June 2016	—	5,058	—	85,937	90,995
At 1 April 2015	5,050	—	2,036	67,865	74,951
Profit for the period	—	—	—	3,550	3,550
Other comprehensive expense for the period	—	—	(339)	—	(339)
Total comprehensive (expense) income for the period	—	—	(339)	3,550	3,211
At 30 June 2015 (unaudited)	5,050	—	1,697	71,415	78,162

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before taxation	30,277	14,732	28,601	4,070	(3,600)
Adjustments for:					
Depreciation of property and equipment	1,252	1,290	1,305	327	338
Gain on disposal of property and equipment	—	—	—	—	(180)
Bank interest income	(28)	(115)	(36)	(2)	(1)
Dividend income	(378)	(524)	(384)	(90)	(11)
Finance costs	723	570	515	114	115
Impairment loss on available-for-sale financial assets	958	836	—	—	—
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets	(83)	(406)	(1,354)	(1,108)	—
Operating cash flows before movements in working capital	32,721	16,383	28,647	3,311	(3,339)
Changes in amounts due from/to customers for contract work, net	(6,714)	74	4,336	682	(23,668)
Decrease (increase) in trade receivables	3,556	(32,886)	12,135	16,429	20,389
(Increase) decrease in other receivables, deposits and prepayments	(8,070)	(3,345)	(1,216)	1,100	(4,883)
Increase (decrease) in trade and bills payables	1,672	(1,490)	(7,789)	(9,703)	1,769
Increase (decrease) in other payables and accrued charges	12,339	(2,429)	2,342	(1,687)	11,365
(Decrease) increase in provisions	(9)	2	(48)	(96)	(33)
Cash generated from (used in) operations	35,495	(23,691)	38,407	10,036	1,600
Income tax paid	(1,839)	(4,690)	(1,346)	(846)	—
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>33,656</b>	<b>(28,381)</b>	<b>37,061</b>	<b>9,190</b>	<b>1,600</b>

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>					
Bank interest received	28	115	36	2	1
Dividend received	262	401	326	79	—
(Placement) withdrawal of pledged bank deposits	(286)	—	286	286	—
(Placement) withdrawal of short term bank deposits	(2,627)	223	2,404	2,404	—
Purchase of property and equipment	(26,553)	(338)	(40)	—	(695)
Proceeds from disposal of property and equipment	—	—	—	—	180
Purchase of available-for-sale financial assets	(5,961)	(405)	(11,338)	(1,695)	—
Proceeds from disposal of available-for-sale financial assets	1,753	4,116	20,281	3,639	—
Repayment from (advance to) directors	8,698	(500)	2,002	—	—
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(24,686)</b>	<b>3,612</b>	<b>13,957</b>	<b>4,715</b>	<b>(514)</b>
<b>FINANCING ACTIVITIES</b>					
Interest paid	(723)	(570)	(515)	(114)	(115)
New bank borrowings raised	20,540	5,284	6,000	—	—
Repayment of bank borrowings	(4,818)	(5,977)	(8,430)	(2,410)	(846)
Repayment of obligations under finance lease	(187)	—	—	—	—
Repayment to a director	(4,400)	—	—	—	—
Dividends paid	—	(10,000)	(1,390)	—	—
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>10,412</b>	<b>(11,263)</b>	<b>(4,335)</b>	<b>(2,524)</b>	<b>(961)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,382</b>	<b>(36,032)</b>	<b>46,683</b>	<b>11,381</b>	<b>125</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD</b>	<b>27,049</b>	<b>46,431</b>	<b>10,399</b>	<b>10,399</b>	<b>57,082</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash</b>	<b>46,431</b>	<b>10,399</b>	<b>57,082</b>	<b>21,780</b>	<b>57,207</b>

**(A) NOTES TO THE FINANCIAL INFORMATION****1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 9 May 2016. The address of the Company's registered office and the principal place of business is disclosed in the section headed "Corporate Information" of the Prospectus.

The Financial Information is presented in HK\$, which is also the functional currency of companies comprising the Group.

Prior to the Reorganisation, Mr. Yu Cheung Choy ("Mr. Yu") and Mr. Lau Man Ching ("Mr. Lau") (collectively referred to as the "Controlling Shareholders") held 82% and 18% of the equity interests of both Shun Hing HK and Golden Light, respectively. Mr. Yu and Mr. Lau are acting in concert, throughout the Relevant Periods and beyond, on their ownerships and exercise their control collectively over the companies now comprising the Group.

In preparation of the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the companies now comprising the Group underwent the Reorganisation as described below.

- (i) On 8 February 2016, Simply Grace Limited ("Simply Grace") was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of one class with par value of USD1 each. On 16 March 2016, one share of Simply Grace was allotted and issued to Mr. Lau at par. Upon completion of such allotment and issue, Simply Grace was wholly-owned by Mr. Lau.
- (ii) On 15 March 2016, Prosperously Legend Limited ("Prosperously Legend") was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of one class with par value of USD1 each. On 15 March 2016, one share of Prosperously Legend was allotted and issued to Mr. Yu at par. Upon completion of such allotment and issue, Prosperously Legend was wholly-owned by Mr. Yu.
- (iii) On 16 March 2016, Triumph Legend was incorporated in the BVI with limited liability and was authorised to issue up to a maximum of 50,000 ordinary shares with par value of USD1 each. On 16 March 2016, Triumph Legend allotted and issued 820 shares and 180 shares at par to Mr. Yu and Mr. Lau, representing 82% and 18% equity interest of Triumph Legend, respectively.
- (iv) On 29 March 2016, Triumph Legend acquired 3,936,000 shares and 864,000 shares of Shun Hing HK from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Shun Hing HK, at consideration of HK\$3,936,000 and HK\$864,000, respectively. Accordingly, Shun Hing HK became a wholly-owned subsidiary of Triumph Legend.



- (v) Blissful Choice was incorporated in the BVI on 18 April 2016 and was authorised to issue up to a maximum of 50,000 ordinary shares with par value of USD1 each. On 3 June 2016, Blissful Choice allotted and issued 820 shares and 180 shares of Blissful Choice at par, to Mr. Yu and Mr. Lau, respectively.
- (vi) On 9 May 2016, the Company was incorporated in the Cayman Islands as an exempted company with limited liability as the ultimate holding company of the Group. The authorised share capital of the Company was HK\$380,000, divided into 38,000,000 shares of HK\$0.01 each upon incorporation, of which the one nil-paid share was allotted and issued at par, to the initial subscriber, and was subsequently transferred to Prosperously Legend on the same day. On the same day, the Company allotted and issued 81 nil-paid shares and 18 nil-paid shares to Prosperously Legend and Simply Grace, respectively. Upon completion of such allotment, the Company was owned as to 82% and 18% by Prosperously Legend and Simply Grace, respectively.
- (vii) On 22 June 2016, Blissful Choice acquired 205,000 shares and 45,000 shares of Golden Light from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Golden Light, at a consideration of HK\$205,000 and HK\$45,000, respectively. In consideration of such transfer, on the same day, Blissful Choice allotted and issued 820 shares and 180 shares at par, to Mr. Yu and Mr. Lau, respectively. Upon completion of such transaction, Golden Light became a wholly-owned subsidiary of Blissful Choice.
- (viii) On 30 June 2016, the Company acquired 820 shares and 180 shares in issue of Triumph Legend from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Triumph Legend, at a consideration satisfied by (i) crediting as fully paid at par 82 and 18 nil-paid shares of the Company held by Prosperously Legend and Simply Grace, respectively; and (ii) allotment and issue of 369 and 81 shares of the Company, all credited as fully paid at par to Prosperously Legend and Simply Grace, at the instruction and direction of Mr. Yu and Mr. Lau, respectively. Accordingly, Triumph Legend and Shun Hing HK became wholly-owned subsidiaries of the Company.
- (ix) On 30 June 2016, the Company acquired 1,640 shares and 360 shares in issue of Blissful Choice from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Blissful Choice, at a consideration settled by way of allotment and issue of 369 and 81 shares of the Company, all credited as fully paid at par, to Prosperously Legend and Simply Grace, at the instruction and direction of Mr. Yu and Mr. Lau, respectively. Upon the completion of the aforesaid transfers and allotments, Blissful Choice and Golden Light became wholly-owned subsidiaries of the Company and Prosperously Legend and Simply Grace continue to own 82% and 18% equity interest of the Company, respectively.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 30 June 2016. The Company and its subsidiaries have been under the common control of the Controlling Shareholders throughout the Relevant Periods or since their respective dates of incorporation, where there is a shorter period. Accordingly, the Financial Information has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting For Common Control Combinations” issued by the HKICPA.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2016 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective.

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
Amendments to HKFRS 2	Classifications and measurement of share-based payment transaction <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers <sup>1</sup>
Amendments to HKAS 7	Disclosure initiative <sup>4</sup>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

**HKFRS 15 “Revenue from contracts with customers”**

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including Hong Kong Accounting Standards (“HKAS”) 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Having considered those engineering service contracts with customers entered into by the Group during the Relevant Periods, the directors of the Company anticipated that the application of HKFRS 15 will have no material impact on the financial information of the Group.

**HKFRS 16 “Leases”**

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are

classified as operating leases under the predecessor standard, HKAS 17. In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 32, total operating lease commitment of the Group in respect of office premises as at 30 June 2016 amounted to HK\$2,180,000. Upon the adoption of HKFRS 16, the directors of the Company expect that the commitments in future will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities and it may have financial impact to the results of the Group. However, it is not practicable to provide a reasonable estimate of the effect on the Group's results until the Group performs a detailed review.

The directors of the Company anticipates that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value at the end of each reporting period (as explained in the accounting policies below) and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The 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 Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**Investments in subsidiaries**

Investments in subsidiaries included in the Company's statement of financial position at cost less any identified impairment losses.

**Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable.

Revenue from engineering service contracts is based on the stage of completion at the end of each reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The method used is with reference to surveys of work performed to date bear to the estimated total contract revenue.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Property and equipment**

Property and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Impairment loss on tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**Engineering service contracts**

Where the outcome of an engineering service contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of an engineering service contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts

where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade receivables.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### *AFS financial assets*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group (including investments in shares and funds) that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised



in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss of financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amount due from a director, short term bank deposits, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be insignificant.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and receivables, 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.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past credit period, observable changes in national or local economic conditions that correlate with default on trade receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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 would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

*Financial liabilities*

The Group's financial liabilities including trade and bills payables, other payables and accrued charges, amounts due to directors and bank borrowings and the Company's financial liabilities including other payables and accrued charges and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

**Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value. Subsequently to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised throughout the guarantee period on a straight-line basis.

*Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

*Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services are rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to the end of each reporting period.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessee***

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

***Leasehold land and buildings***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

**Taxation**

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit (loss) 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 each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

**Engineering service contracts**

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each engineering service contract as the contract progresses. Budgeted engineering service costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit or loss recognised in each period.

Recognised amounts of engineering service contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going engineering service contracts. For more complex contracts in particular, costs to complete

and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 24, and equity of the Group, comprising capital and retained profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

## 6. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	The Group			The Company	
	As at 31 March		As at 30 June	As at 30 June	
	2014	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets					
Loans and receivables (including cash and cash equivalents)	81,373	82,036	112,947	95,524	561
AFS financial assets - at fair value	<u>12,109</u>	<u>9,625</u>	<u>—</u>	<u>—</u>	<u>—</u>
Financial liabilities					
Amortised cost	<u>60,446</u>	<u>55,787</u>	<u>52,723</u>	<u>59,874</u>	<u>9,790</u>

**Financial risk management objectives and policies**

The Group's financial instruments include AFS financial assets, trade receivables, other receivables and deposits, amount due from a director, short term bank deposits, pledged bank deposits, bank balances and cash, trade and bills payables, other payables and accrued charges, amounts due to directors and bank borrowings. The Company's financial instruments include other receivables and deposits, other payables and accrued charges and amount due to a subsidiary. 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Currency risk**

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entities. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting periods are as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi	3,588	3,760	—	—
Australian Dollar	3,009	2,644	—	—
Euro	477	5	—	—
United States Dollar	<u>2,666</u>	<u>584</u>	<u>—</u>	<u>—</u>

Since the exchange rate of HK\$ is pegged with USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates. Thus, there is no sensitivity analysis on USD denominated financial assets.

Sensitivity analysis of strengthening 10% in functional currency of respective entities of the Group (i.e. HK\$) against foreign currencies and keeping all other variables constant resulted a decrease in post-tax profit of HK\$591,000, HK\$535,000, Nil and Nil for each of the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, respectively. For a 10% weakening of HK\$ against foreign currencies there would be an equal and opposite impact on the results.

**Other price risk**

The Group is exposed to equity price risk through its AFS financial assets. The management manages this exposure by reviewing the investments performance regularly.



*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is 10% for the Relevant Periods.

If the prices of the available-for-sale financial assets had been 10% higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease approximately by HK\$1,211,000, HK\$963,000, Nil and Nil for each of the years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 as a result of the changes in fair value of available-for-sale financial assets.

*Interest rate risk*

The Group's cash flow interest rate risk primarily relates to the bank balances (note 21) as well as floating-rate bank borrowings (note 24) as at 31 March 2014, 2015 and 2016 and 30 June 2016. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 24) and short term bank deposits (note 21).

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's bank borrowings.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risk on floating-rate bank borrowings. The sensitivity analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

A 50 basis point increase or decrease is used in the sensitivity analysis, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for each of the years ended 31 March 2014, 2015 and 2016 would decrease/increase by approximately HK\$63,000, HK\$74,000, HK\$71,000, respectively, and the Group's post-tax loss for the three months ended 30 June 2016 would increase/decrease by approximately HK\$17,000.

*Credit risk*

The Group's credit risk is primarily attributable to trade receivables, other receivables, deposits in life insurance policies, amount due from a director, pledged bank deposits, short term bank deposits and bank balances.

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the end of each reporting period and the amount of contingent liability relating to financial guarantee provided to a related company as disclosed in note 31.

Management adopts a policy on providing credit facilities to new customers. A credit investigation, including assessment based on financial information of the new customers, advice from business partners in relation to potential customers and credit search, is required. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. Top five customers amounting to HK\$7,311,000, HK\$33,438,000, HK\$22,003,000 and HK\$5,798,000, respectively, comprised approximately 94%, 82%, 77% and 71% of the Group's trade receivables as at 31 March 2014, 2015 and 2016 and 30 June 2016. The management of the Group closely monitors the subsequent settlement of the customers. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

As at 31 March 2014 and 2015, the Group has concentration of credit risk in respect of amount due from a director. In order to minimise the credit risk on amount due from a director, the Group's management continuously monitors the credit quality and financial conditions of the director and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Under such circumstances, the Group's management considers that the Group's credit risk is not material.

For the financial guarantee provided to a related company, the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed party that the Group issued financial guarantee contract in favour of to ensure that the Group will not suffer significant credit loss as a result of the failure of the guaranteed party on the repayment of the relevant loan. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk for pledged bank deposits, short term bank deposits, deposits for a life insurance policy and bank balances is considered as not material as such amounts are placed in banks with good reputations.

### ***Liquidity risk***

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the

earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The table includes both interest and principal cash flows.

### The Group

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	21,710	21,710	21,710
Other payables and accrued charges	N/A	—	18,394	18,394	18,394
Bank borrowings					
- fixed rate	5.38	5,275	—	5,275	5,275
- floating rate	2.44	<u>15,067</u>	—	<u>15,067</u>	<u>15,067</u>
		<u>20,342</u>	<u>40,104</u>	<u>60,446</u>	<u>60,446</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	20,220	20,220	20,220
Other payables and accrued charges	N/A	—	15,918	15,918	15,918
Bank borrowings					
- fixed rate	5.46	1,851	—	1,851	1,851
- floating rate	2.23	<u>17,798</u>	—	<u>17,798</u>	<u>17,798</u>
		<u>19,649</u>	<u>36,138</u>	<u>55,787</u>	<u>55,787</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2016					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	12,431	12,431	12,431
Other payables and accrued charges	N/A	—	18,273	18,273	18,273
Amounts due to directors	N/A	4,800	—	4,800	4,800
Bank borrowings					
- fixed rate	5.50	120	—	120	120
- floating rate	2.77	17,099	—	17,099	17,099
Financial guarantee liability	N/A	4,100	—	4,100	—
		<u>26,119</u>	<u>30,704</u>	<u>56,823</u>	<u>52,723</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2016					
<b>Non-derivative financial liabilities</b>					
Trade and bills payables	N/A	—	14,200	14,200	14,200
Other payables and accrued charges	N/A	—	29,301	29,301	29,301
Bank borrowings					
- floating rate	2.75	16,373	—	16,373	16,373
		<u>16,373</u>	<u>43,501</u>	<u>59,874</u>	<u>59,874</u>

## The Company

	Weighted average effective interest rate	Repayable on demand	Within 1 year	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30 June 2016					
<b>Non-derivative financial liabilities</b>					
Other payables and accrued charges	N/A	—	3,762	3,762	3,762
Amount due to a subsidiary	N/A	6,028	—	6,028	6,028
		<u>6,028</u>	<u>3,762</u>	<u>9,790</u>	<u>9,790</u>

The amounts included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amounts included above for financial guarantee contract are the maximum amounts the Group could be required to settle under the arrangement for the guaranteed amount if that amount is claimed by the counterparty to the guarantee after consideration of the amounts utilised by the related company in the facility limit. Based on the expectations at the end of each reporting period, management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantees which is a function of the likelihood that the financial receivables held by the counterparty which guaranteed suffer credit losses. Details of the financial guarantees are set out in note 31.

Bank borrowings with a repayment on demand clause are included in the "Repayable on demand" time band in the above maturity analysis. As at 31 March 2014, 2015 and 2016 and 30 June 2016, the aggregate carrying amount of these bank loans amounted to HK\$20,342,000, HK\$19,649,000, HK\$17,219,000 and HK\$16,373,000 respectively. Such bank borrowings of the Group were repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate					Total undiscounted cash flows	Total carrying amount
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	HK\$'000	HK\$'000
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Bank borrowings:</b>							
As at 31 March 2014	3.21	<u>5,649</u>	<u>3,892</u>	<u>4,843</u>	<u>8,167</u>	<u>22,551</u>	<u>20,342</u>
As at 31 March 2015	2.53	<u>8,216</u>	<u>2,074</u>	<u>3,782</u>	<u>7,275</u>	<u>21,347</u>	<u>19,649</u>
As at 31 March 2016	2.79	<u>3,457</u>	<u>3,252</u>	<u>5,904</u>	<u>6,384</u>	<u>18,997</u>	<u>17,219</u>
As at 30 June 2016	2.75	<u>3,313</u>	<u>3,064</u>	<u>5,491</u>	<u>6,163</u>	<u>18,031</u>	<u>16,373</u>

#### Fair value measurement of financial instruments

##### *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

*Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

The Group's AFS financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)
	31 March		30 June			
	2014	2015	2016	2016		
AFS financial assets (see note 16)	Equity securities listed in Hong Kong - HK\$5,569,000	Equity securities listed in Hong Kong - HK\$4,453,000	Nil	Nil	Level 1	Quoted bid prices in an active market.
	Funds listed in Hong Kong - HK\$1,824,000	Funds listed in Hong Kong - HK\$3,008,000			Level 1	Quoted bid prices in an active market.
	Funds unlisted - HK\$4,716,000	Funds unlisted - HK\$2,164,000			Level 2	Calculated based on the quoted prices of similar assets traded in an active market.

There were no transfer between Level 1 and 2 during the Relevant Periods.

## 7. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received or receivable from the engineering service contracts by the Group to external customers. The Group's operation is solely derived from electrical and mechanical engineering services with the focus on the supply, installation and maintenance of heating, ventilation, air-conditioning and refrigeration system in Hong Kong during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (that is, Mr. Yu and Mr. Lau) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

**Geographical information**

No geographical segment information is presented as the Group's revenue are all derived from Hong Kong based on the location of services delivered and the Group's property and equipment amounting to HK\$25,713,000, HK\$24,761,000, HK\$23,496,000 and HK\$23,853,000 as at 31 March 2014, 2015 and 2016 and 30 June 2016 respectively are all located in Hong Kong by physical location of assets.

**Information about major customers**

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Customer A	96,982	N/A*	N/A*	N/A*	N/A*
Customer B	55,194	N/A*	N/A*	N/A*	N/A*
Customer C	46,549	N/A*	N/A*	N/A*	N/A#
Customer D	42,031	42,846	N/A*	N/A*	N/A#
Customer E	36,836	N/A*	N/A*	N/A#	N/A#
Customer F	N/A#	29,720	44,865	4,948	N/A*
Customer G	N/A#	N/A#	54,933	N/A#	7,630
Customer H	N/A*	N/A*	N/A*	13,063	N/A#
Customer I	N/A#	N/A*	N/A*	11,749	N/A#
Customer J	N/A#	N/A#	N/A*	N/A#	7,733
Customer K	N/A#	N/A*	N/A*	N/A*	7,654
Customer L	N/A#	N/A*	N/A*	N/A*	7,335

\* Revenue from the relevant customer was less than 10% of the Group's total revenue for the respective year/period

# No revenue was attributed from the relevant customer for the respective year/period

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Directors' and chief executive's emoluments**

Mr. Yu and Mr. Lau were appointed as directors of the Company on 9 May 2016 and redesignated as executive directors on 27 June 2016. Mr. Lau acts as chief executive of the Group. Mr. Yu Ho Chi, being the son of Mr. Yu, was appointed as a non-executive director of the Company on 27 June 2016, and Mr. Lam Yim Nam, Mr. Lee Wing Kee and Mr. To Yan Ming Edmond were appointed as independent non-executive directors of the Company on 6 December 2016 and no emoluments were paid or payable to them during the Relevant Periods.



During the Relevant Periods, the emoluments paid or payable by the entities now comprising the Group to the Company's executive directors (including emoluments for services as directors of the companies now comprising the Group prior to becoming directors of the Company) were as follows:

	<u>Mr. Yu</u>	<u>Mr. Lau</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the year ended 31 March 2014</b>			
Fees	—	—	—
Other emoluments			
Salaries	1,020	1,020	2,040
Discretionary bonus	90	90	180
Retirement benefit scheme contributions	<u>56</u>	<u>56</u>	<u>112</u>
Total emoluments	<u>1,166</u>	<u>1,166</u>	<u>2,332</u>
	<u>Mr. Yu</u>	<u>Mr. Lau</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the year ended 31 March 2015</b>			
Fees	—	—	—
Other emoluments			
Salaries	1,200	1,200	2,400
Discretionary bonus	200	200	400
Retirement benefit scheme contributions	<u>70</u>	<u>70</u>	<u>140</u>
Total emoluments	<u>1,470</u>	<u>1,470</u>	<u>2,940</u>
	<u>Mr. Yu</u>	<u>Mr. Lau</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the year ended 31 March 2016</b>			
Fees	—	—	—
Other emoluments			
Salaries	1,320	1,320	2,640
Discretionary bonus	—	—	—
Retirement benefit scheme contributions	<u>66</u>	<u>66</u>	<u>132</u>
Total emoluments	<u>1,386</u>	<u>1,386</u>	<u>2,772</u>

	<u>Mr. Yu</u>	<u>Mr. Lau</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the three months ended 30 June 2016</b>			
Fees	—	—	—
Other emoluments			
Salaries	360	360	720
Discretionary bonus	—	—	—
Retirement benefit scheme contributions	<u>18</u>	<u>18</u>	<u>36</u>
Total emoluments	<u><u>378</u></u>	<u><u>378</u></u>	<u><u>756</u></u>
	<u>Mr. Yu</u>	<u>Mr. Lau</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the three months ended 30 June 2015</b>			
<b>(unaudited)</b>			
Fees	—	—	—
Other emoluments			
Salaries	330	330	660
Discretionary bonus	—	—	—
Retirement benefit scheme contributions	<u>17</u>	<u>17</u>	<u>34</u>
Total emoluments	<u><u>347</u></u>	<u><u>347</u></u>	<u><u>694</u></u>

*Note:* The emoluments of Mr. Yu and Mr. Lau shown above were for the services in connection with the management of the affairs of the companies now comprising the Group during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No directors have waived any remuneration during the Relevant Periods.

**(b) Employees' emoluments**

The five highest paid individuals included two directors whose emoluments are included in the disclosures in (a) above for each of the years ended 31 March 2014, 2015 and 2016 and each of the three months ended 30 June 2015 and 2016. The emoluments of the remaining three individuals for each of the years ended 31 March 2014, 2015 and 2016 and each of the three months ended 30 June 2015 and 2016 were as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Salaries and other benefits	2,085	2,274	2,304	505	561
Retirement benefit scheme contributions	45	53	54	14	14
	<u>2,130</u>	<u>2,327</u>	<u>2,358</u>	<u>519</u>	<u>575</u>

Their emoluments were within the following bands:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 9. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
<b>Other income:</b>					
Bank interest income	28	115	36	2	1
Dividends from available-for-sale financial assets	262	401	326	79	—
Dividend income from insurance policy	116	123	58	11	11
Sundry income	572	183	149	11	3
	<u>978</u>	<u>822</u>	<u>569</u>	<u>103</u>	<u>15</u>
<b>Other gains and losses:</b>					
Net foreign exchange (loss) gain	(239)	(614)	(164)	42	—
Cumulative gain reclassified from equity to profit or loss upon disposal of available-for-sale financial assets	83	406	1,354	1,108	—
Impairment loss on available-for-sale financial assets	(958)	(836)	—	—	—
Gain on disposal of property and equipment	—	—	—	—	180
	<u>(1,114)</u>	<u>(1,044)</u>	<u>1,190</u>	<u>1,150</u>	<u>180</u>

## 10. FINANCE COSTS

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Interests on bank borrowings	718	570	515	114	115
Interests on obligations under finance lease	5	—	—	—	—
	<u>723</u>	<u>570</u>	<u>515</u>	<u>114</u>	<u>115</u>

## 11. PROFIT (LOSS) BEFORE TAXATION

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit (loss) before taxation has been arrived at after charging:					
Auditor's remuneration	55	55	425	106	360
Depreciation of property and equipment	1,252	1,290	1,305	327	338
Directors' emoluments (note 8)	2,332	2,940	2,772	694	756
Other staff costs:					
Salaries and other benefits	15,593	19,756	23,321	5,832	6,889
Retirement benefit scheme contributions	613	769	911	224	244
Total staff costs	18,538	23,465	27,004	6,750	7,889
Minimum lease payments under operating leases in respect of office premises	231	—	—	—	182

## 12. INCOME TAX EXPENSE

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Hong Kong Profits Tax:					
Current tax	5,170	2,607	5,025	540	574
Deferred taxation (note 25)	89	(17)	(72)	(20)	12
	5,259	2,590	4,953	520	586

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit during the Relevant Periods.

The tax charge for the Relevant Periods can be reconciled to the profit (loss) before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Profit (loss) before taxation	<u>30,277</u>	<u>14,732</u>	<u>28,601</u>	<u>4,070</u>	<u>(3,600)</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	4,996	2,431	4,719	672	(594)
Tax effect of income not taxable for tax purpose	(67)	(158)	(177)	(198)	(32)
Tax effect of expenses not deductible for tax purpose	331	357	395	38	1,239
Tax effect of deductible temporary difference not recognised	19	—	—	—	—
Tax effect of tax losses not recognised	—	—	36	8	—
Tax effect of utilisation of tax losses previously not recognised	—	—	—	—	(27)
Others	<u>(20)</u>	<u>(40)</u>	<u>(20)</u>	<u>—</u>	<u>—</u>
Income tax expense for the year/period	<u>5,259</u>	<u>2,590</u>	<u>4,953</u>	<u>520</u>	<u>586</u>

### 13. DIVIDENDS

During the year ended 31 March 2015, Shun Hing HK declared and paid aggregate interim dividends of HK\$10,000,000 (HK\$2.083 per share) in respect of the year ended 31 March 2015 to its then shareholders, namely Mr. Yu and Mr. Lau.

During the year ended 31 March 2016, Golden Light declared and paid aggregate interim dividends of HK\$1,390,000 (HK\$5.560 per share) in respect of the year ended 31 March 2016 to its then shareholders, namely Mr. Yu and Mr. Lau.

Other than disclosed above, no dividend was paid or declared by any group entities during the Relevant Periods.

## 14. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the following data:

	For the year ended 31 March			For the three months ended 30 June	
	2014	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Earnings (loss):					
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the year/period attributable to owners of the Company)	<u>25,018</u>	<u>12,142</u>	<u>23,648</u>	<u>3,550</u>	<u>(4,186)</u>
	'000	'000	'000	'000	'000

## Number of shares (note):

Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>320,000</u>	<u>320,000</u>	<u>320,000</u>	<u>320,000</u>	<u>320,000</u>
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*Note:* The number of ordinary shares for the purpose of calculating basis earnings (loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Appendix V to the Prospectus have been effective on 1 April 2013.

No diluted earnings (loss) per share for the Relevant Periods was presented as there were no potential ordinary shares in issue during the Relevant Periods.

## 15. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Motor vehicle	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>						
At 1 April 2013	—	—	575	1,547	716	2,838
Additions	<u>24,088</u>	<u>1,684</u>	<u>410</u>	<u>371</u>	<u>—</u>	<u>26,553</u>
At 31 March 2014	24,088	1,684	985	1,918	716	29,391
Additions	<u>—</u>	<u>—</u>	<u>—</u>	<u>338</u>	<u>—</u>	<u>338</u>
At 31 March 2015	24,088	1,684	985	2,256	716	29,729
Additions	<u>—</u>	<u>—</u>	<u>—</u>	<u>40</u>	<u>—</u>	<u>40</u>
At 31 March 2016	24,088	1,684	985	2,296	716	29,769
Additions	<u>—</u>	<u>430</u>	<u>95</u>	<u>170</u>	<u>—</u>	<u>695</u>
Disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(716)</u>	<u>(716)</u>
At 30 June 2016	<u>24,088</u>	<u>2,114</u>	<u>1,080</u>	<u>2,466</u>	<u>—</u>	<u>29,748</u>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2013	—	—	559	1,390	477	2,426
Provided for the year	<u>646</u>	<u>222</u>	<u>55</u>	<u>90</u>	<u>239</u>	<u>1,252</u>
At 31 March 2014	646	222	614	1,480	716	3,678
Provided for the year	<u>705</u>	<u>337</u>	<u>88</u>	<u>160</u>	<u>—</u>	<u>1,290</u>
At 31 March 2015	1,351	559	702	1,640	716	4,968
Provided for the year	<u>705</u>	<u>337</u>	<u>84</u>	<u>179</u>	<u>—</u>	<u>1,305</u>
At 31 March 2016	2,056	896	786	1,819	716	6,273
Provided for the period	<u>176</u>	<u>91</u>	<u>22</u>	<u>49</u>	<u>—</u>	<u>338</u>
Eliminated upon disposal	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(716)</u>	<u>(716)</u>
At 30 June 2016	<u>2,232</u>	<u>987</u>	<u>808</u>	<u>1,868</u>	<u>—</u>	<u>5,895</u>
<b>CARRYING AMOUNTS</b>						
At 31 March 2014	<u>23,442</u>	<u>1,462</u>	<u>371</u>	<u>438</u>	<u>—</u>	<u>25,713</u>
At 31 March 2015	<u>22,737</u>	<u>1,125</u>	<u>283</u>	<u>616</u>	<u>—</u>	<u>24,761</u>
At 31 March 2016	<u>22,032</u>	<u>788</u>	<u>199</u>	<u>477</u>	<u>—</u>	<u>23,496</u>
At 30 June 2016	<u>21,856</u>	<u>1,127</u>	<u>272</u>	<u>598</u>	<u>—</u>	<u>23,853</u>



The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the term of the lease of 34 years
Leasehold improvements	Over the shorter of the term of the lease or 5 years
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicle	33 $\frac{1}{3}$ %

## 16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed investments:				
- Equity securities listed in Hong Kong	5,569	4,453	—	—
- Funds listed in Hong Kong	1,824	3,008	—	—
	<u>7,393</u>	<u>7,461</u>	—	—
Unlisted investments:				
- Funds	4,716	2,164	—	—
	<u>12,109</u>	<u>9,625</u>	—	—

As at 31 March 2014 and 2015, available-for-sale financial assets amounting to HK\$1,897,000 and HK\$2,668,000, respectively, are pledged to a bank against the banking facility granted to the Group.

The Group's available-for-sale financial assets are denominated in currencies which are not the functional currencies of the relevant group entities are set out below:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi	1,845	1,834	—	—
Australian Dollar	1,163	978	—	—
Euro	470	—	—	—
United States Dollar	<u>2,653</u>	<u>571</u>	—	—

## 17. TRADE RECEIVABLES

The Group grants credit terms of 30 days to its customers from the date of invoices on progress billings of contract works. An aged analysis of the trade receivables presented based on the invoice date at the end of each reporting period is as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	7,141	24,060	23,502	4,868
31 - 60 days	119	10,346	2,598	1,864
61 - 90 days	445	4,982	101	606
Over 90 days	50	1,253	2,305	779
	<u>7,755</u>	<u>40,641</u>	<u>28,506</u>	<u>8,117</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 92.1%, 59.2%, 82.4% and 60.0% of trade receivables as at 31 March 2014, 2015 and 2016 and 30 June 2016, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment during the Relevant Periods.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$614,000, HK\$16,581,000, HK\$5,004,000 and HK\$3,249,000 which are past due at 31 March 2014, 2015 and 2016 and 30 June 2016, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired based on the invoice date at the end of each reporting period is as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
31 - 60 days	119	10,346	2,598	1,864
61 - 90 days	445	4,982	101	606
Over 90 days	50	1,253	2,305	779
Total	<u>614</u>	<u>16,581</u>	<u>5,004</u>	<u>3,249</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not provided for as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers during the Relevant Periods. The directors of the Company believe that there is no credit provision required in excess of the allowance for doubtful debts.

## 18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group			The Company	
	As at 31 March			As at 30 June	As at 30 June
	2014	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits	53	53	53	469	—
Deposits in life insurance policies (note a)	1,292	1,415	1,473	1,484	—
Retention receivables (note b)	21,039	24,241	25,553	27,425	—
Other receivables	388	595	280	822	561
Prepayments and others	611	547	766	2,827	2,076
Total	<u>23,383</u>	<u>26,851</u>	<u>28,125</u>	<u>33,027</u>	<u>2,637</u>
Presented as non-current assets	1,292	1,415	1,473	1,865	—
Presented as current assets	<u>22,091</u>	<u>25,436</u>	<u>26,652</u>	<u>31,162</u>	<u>2,637</u>
Total	<u>23,383</u>	<u>26,851</u>	<u>28,125</u>	<u>33,027</u>	<u>2,637</u>

### Notes:

- (a) The amount represented the deposits placed with an insurance company for the life insurance policies of two directors of the Company. The Group can, at any time, receive cash back based on the cash value of the policies ("Cash Value") at the date of withdrawal, which is equal to the sum of tabular cash value shown in the relevant policy schedules with any dividend accumulations and the cash values of any paid-up additions, less any indebtedness. The carrying amount of the life insurance policies approximates the Cash Value of the insurance policies.
- (b) Retention monies withheld by customers of contract works are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the date of completion of respective engineering service projects.

The retention receivables are to be settled, based on the expiry of the defect liability period, at the end of each reporting period as follows:

	<b>The Group</b>			<b>As at</b>
	<b>As at 31 March</b>			<b>30 June</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	5,862	6,265	15,443	17,191
After one year	15,177	17,976	10,110	10,234
	<u>21,039</u>	<u>24,241</u>	<u>25,553</u>	<u>27,425</u>

#### 19. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<b>As at 31 March</b>			<b>As at 30 June</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of the reporting period:				
Contract costs incurred plus recognised profits less recognised losses	327,599	272,817	229,280	215,281
Less: Progress billings	<u>(308,015)</u>	<u>(253,307)</u>	<u>(214,106)</u>	<u>(176,439)</u>
	<u>19,584</u>	<u>19,510</u>	<u>15,174</u>	<u>38,842</u>
Analysed as:				
Amounts due from customers for contract work	24,270	26,686	23,704	45,275
Amounts due to customers for contract work	<u>(4,686)</u>	<u>(7,176)</u>	<u>(8,530)</u>	<u>(6,433)</u>
	<u>19,584</u>	<u>19,510</u>	<u>15,174</u>	<u>38,842</u>

## 20. AMOUNT DUE FROM A DIRECTOR, AMOUNTS DUE TO DIRECTORS AND AMOUNT DUE TO A SUBSIDIARY

### Amount due from a director

Details of amounts due from directors, which are non-trade nature, unsecured, interest-free and repayable on demand, are as follows:

Name	Maximum amount outstanding during								
	As at 31 March				As at 30 June	The year ended 31 March			The three months ended 30 June
	2013	2014	2015	2016	2016	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Yu	1,500	1,502	2,002	—	—	1,502	2,002	3,521	—
Mr. Lau	8,700	—	—	—	—	8,700	—	—	—

### Amounts due to directors

The amounts are unsecured, interest-free and repayable on demand. The amounts outstanding at 31 March 2016 were subsequently waived by the directors of the Company on 31 May 2016 and credited as deemed contributions from shareholders in equity as other reserve.

### Amount due to a subsidiary

The amount is unsecured, interest-free and repayable on demand.

## 21. SHORT TERM BANK DEPOSITS, PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 March 2014 and 2015, pledged bank deposits represent deposits pledged to a bank to secure the performance guarantees issued by the Group (as set out in note 31), which carry at fixed interest rate of 0.01% per annum.

Short term bank deposits comprise bank deposits of fixed interest rates ranging from 0.05% to 3.06% and 0.05% to 3.20% per annum, during the years ended 31 March 2014 and 2015, respectively, with an original maturity over three months.

Bank balances and cash comprise cash held by the Group and bank deposits carry at variable interest rates with an original maturity of three months or less. During the Relevant Periods, the variable interest rates ranged from 0.01% to 0.75% per annum.

The Group's short term bank deposits, pledged bank deposits and bank balances and cash that are denominated in currencies which are not the functional currency of the relevant group entities are set out below:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Renminbi	1,743	1,926	—	—
Australian Dollar	1,846	1,666	—	—
Euro	7	5	—	—
United States Dollar	13	13	—	—

## 22. TRADE AND BILLS PAYABLES

The credit period on purchases and subcontracting of contract work services ranges from 30 to 60 days generally. The following is an aged analysis of trade payables presented based on the invoice date and bills payables presented based on the date of issuance of the bills at the end of each reporting period:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables:				
0 - 30 days	17,125	15,144	11,482	13,618
31 - 60 days	3,282	3,110	781	576
Over 60 days	948	1,966	168	6
	<u>21,355</u>	<u>20,220</u>	<u>12,431</u>	<u>14,200</u>
Bills payables:				
0 - 30 days	109	—	—	—
31 - 60 days	246	—	—	—
	<u>355</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>21,710</u>	<u>20,220</u>	<u>12,431</u>	<u>14,200</u>

## 23. OTHER PAYABLES AND ACCRUED CHARGES

	The Group			The Company	
	As at 31 March			As at 30 June	As at 30 June
	2014	2015	2016	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued staff costs	1,851	2,428	2,529	3,626	—
Accrued contract costs	5,628	3,143	4,227	11,523	—
Other accrued charges	967	1,424	2,916	6,014	3,762
Retention payables (note)	10,277	9,299	8,964	8,838	—
	<u>18,723</u>	<u>16,294</u>	<u>18,636</u>	<u>30,001</u>	<u>3,762</u>

*Note:* Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 1 to 2 years from the completion date of the respective engineering service contracts.

## 24. BANK BORROWINGS

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank borrowings	13,412	10,635	9,615	9,440
Unsecured bank borrowings	6,930	9,014	7,604	6,933
	<u>20,342</u>	<u>19,649</u>	<u>17,219</u>	<u>16,373</u>
Carrying amounts repayable*:				
Within one year	5,102	7,830	3,026	2,909
More than one year, but not exceeding two years	3,541	1,826	2,920	2,756
More than two years, but not more than five years	4,243	3,286	5,331	4,957
Over five years	7,456	6,707	5,942	5,751
	<u>20,342</u>	<u>19,649</u>	<u>17,219</u>	<u>16,373</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	For the year ended 31 March			For the three months ended
				30 June
	2014	2015	2016	2016
Effective interest rate (per annum):				
Fixed-rate borrowings	5.25%-5.50%	5.25%-5.50%	5.50%	5.50%
Floating-rate borrowings	<u>1.96%-3.72%</u>	<u>1.73%-3.74%</u>	<u>1.72%-3.77%</u>	<u>1.96%-3.75%</u>

All the bank borrowings as at 31 March 2014, 2015 and 2016 and 30 June 2016 contain a repayable on demand clause and are shown under current liabilities.

All bank borrowings were guaranteed by personal guarantees by Mr. Yu and Mr. Lau. The directors of the Company expect that such personal guarantees will be released upon the completion of the Listing. In addition, bank borrowings of HK\$4,083,000, HK\$3,083,000, HK\$7,483,000 and HK\$6,933,000 as at 31 March 2014, 2015 and 2016 and 30 June 2016, respectively, were guaranteed by The Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

Certain banking facilities of the Group were secured by:

- (i) leasehold land and buildings owned by the Group as at 31 March 2014, 2015 and 2016 and 30 June 2016;
- (ii) certain available-for-sale financial assets as at 31 March 2014 and 2015 as disclosed in note 16;
- (iii) two properties owned by Mr. Yu as at 31 March 2014, 2015 and 2016 and 30 June 2016;
- (iv) a property owned by a related company, which is controlled by Mr. Yu, as at 31 March 2014 and 2015 and 30 June 2016 and two properties owned by the same related company as at 31 March 2016; and
- (v) a property jointly owned by Mr. Yu and his daughter as at 31 March 2014 and 2015.

As represented by the directors of the Company, they expect that the securities provided by related parties will be released upon the completion of the Listing.



**25. DEFERRED TAX LIABILITIES**

The following is the deferred tax liabilities recognised and movements thereon during the Relevant Periods.

	<u>Accelerated tax depreciation</u>
	<i>HK\$'000</i>
At 1 April 2013	(21)
Charge to profit or loss (note 12)	<u>(89)</u>
At 31 March 2014	(110)
Credit to profit or loss (note 12)	<u>17</u>
At 31 March 2015	(93)
Credit to profit or loss (note 12)	<u>72</u>
At 31 March 2016	(21)
Charge to profit or loss (note 12)	<u>(12)</u>
At 30 June 2016	<u><u>(33)</u></u>

At 31 March 2016 and 30 June 2016, the Group has unused estimated tax losses of HK\$217,000 and HK\$52,000, respectively. No deferred tax asset has been recognised in respect of such estimated tax losses due to the unpredictability of future profit stream. All tax losses may be carried forward indefinitely.

**26. PROVISIONS**

	<u>Long service payments</u>
	<i>HK\$'000</i>
At 1 April 2013	419
Reversal for the year	<u>(9)</u>
At 31 March 2014	410
Provided for the year	<u>2</u>
At 31 March 2015	412
Reversal for the year	<u>(48)</u>
At 31 March 2016	364
Reversal for the period	<u>(33)</u>
At 30 June 2016	<u><u>331</u></u>

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees from their services to the group entities up to the end of each reporting period.

**27. ISSUED SHARE CAPITAL****The Group**

For the purpose of this report, the issued share capital of the Group as at 1 April 2013 and 31 March 2014 and 2015 represented the aggregated share capital of Shun Hing HK and Golden Light. The issued share capital of the Group as at 31 March 2016 represented the aggregated share capital of Triumph Legend and Golden Light. The issued share capital of the Group as at 30 June 2016 represented the share capital of the Company.

**The Company**

	<u>Number of shares</u>	<u>Amount</u>	
		<i>HK\$</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.01 each			
<b>Authorised:</b>			
At 9 May 2016 (date of incorporation) and 30 June 2016	<u>38,000,000</u>	<u>380,000</u>	<u>380</u>
<b>Issued and fully paid:</b>			
At 9 May 2016 (date of incorporation)	1	—	—
Issue of shares	<u>999</u>	<u>10</u>	<u>—</u>
At 30 June 2016	<u>1,000</u>	<u>10</u>	<u>—</u>

The Company was incorporated on 9 May 2016 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

One nil-paid share was allotted and issued at par to the initial subscriber and was subsequently transferred to Prosperously Legend on 9 May 2016. On the same day, the Company allotted and issued 81 nil-paid shares and 18 nil-paid shares to Prosperously Legend and Simply Grace, respectively.

On 30 June 2016, the Company acquired 820 shares and 180 shares in issue of Triumph Legend from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Triumph Legend, at a consideration satisfied by (i) crediting as fully paid at par 82 and 18 nil-paid shares of the Company held by Prosperously Legend and Simply Grace, respectively; and (ii) allotment and issue of 369 and 81 shares of the Company, all credited as fully paid at par, to Prosperously Legend and Simply Grace, at the instruction and direction of Mr. Yu and Mr. Lau, respectively.

On 30 June 2016, the Company acquired 1,640 shares and 360 shares in issue of Blissful Choice from Mr. Yu and Mr. Lau, respectively, representing 82% and 18% equity interest in Blissful Choice, at a consideration settled by way of allotment and issue of 369 and 81 shares of the Company, all credited as fully paid at par, to Prosperously Legend and Simply Grace, at the instruction and direction of Mr. Yu and Mr. Lau, respectively.

All ordinary shares issued rank pari passu with each other in all aspects.

## 28. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to secure the bank borrowings, banking facilities and bank guarantee granted to the Group.

The carrying amounts of the assets pledged are as follows:

	As at 31 March			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank deposits	286	286	—	—
Available-for-sale financial assets	1,897	2,668	—	—
Leasehold land and buildings	23,442	22,737	22,032	21,856
	<u>25,625</u>	<u>25,691</u>	<u>22,032</u>	<u>21,856</u>

## 29. RELATED PARTY TRANSACTIONS

Details of the balances with directors at the end of each reporting period are disclosed in the consolidated statements of financial position, consolidated statements of cash flows and note 20.

During the three months ended 30 June 2016, the Group disposed of a motor vehicle to Great Rich Investment International Limited (“Great Rich”), a company controlled by Mr. Yu, at a cash consideration of HK\$180,000.

Details of the personal guarantee provided by the directors of the Company to banks for general banking facilities granted to subsidiaries of the Company and corporate guarantee provided by the Group to a bank for general banking facilities granted to a related company are disclosed in notes 24 and 31 respectively.

### Compensation of key management personnel

Key management personnel of the Group are the directors of the Company. Their remunerations during the Relevant Periods were set out in note 8(a).

**30. RETIREMENT BENEFITS SCHEMES**

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefit scheme contributions arising from the MPF Scheme recognised in profit or loss represent contributions paid or payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The contributions paid and payable to the schemes by the Group are disclosed in notes 8(a) and 11.

**31. FINANCIAL GUARANTEE AND CONTINGENT LIABILITIES**

On 1 September 2015, Shun Hing HK provided a corporate guarantee to Great Rich for a banking facility of HK\$4,100,000 which is also under the personal guarantee from Mr. Yu. The banking facility is available to Great Rich only and Great Rich can draw down the facilities in full at any time. As represented by the directors of the Company, the fair value of the financial guarantee provided by Shun Hing HK is insignificant. As at 31 March 2016, Great Rich has utilised the banking facility of approximately HK\$4,049,000. The corporate guarantee provided by Shun Hing HK was released on 24 June 2016.

As at 31 March 2014, 2015 and 2016 and 30 June 2016, performance guarantee of HK\$18,650,000, HK\$17,735,000, HK\$14,761,000 and HK\$18,592,000, respectively, were given by banks 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 guarantee have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantee will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities with details as set out in note 24.

At the end of each reporting period, as represented by the directors of the Company, they do not consider it is probable that a claim will be made against the Group.

**32. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments in respect of office premises rented under non-cancellable operating lease which fall due as follows:

	As at 31 march			As at 30 June
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	—	—	1,189
In the second to fifth year inclusive	—	—	—	991
	—	—	—	2,180

The above operating lease payments represent rental payable by the Group for office premises for the Relevant Periods. Lease for office premises is negotiated and fixed for a term of two years and included a renewal option at the discretion of the Group for further two years.

**33. MAJOR NON-CASH TRANSACTIONS**

On 29 March 2016, Triumph Legend acquired 3,936,000 shares and 864,000 shares of Shun Hing HK from Mr. Yu and Mr. Lau, at consideration of HK\$3,936,000 and HK\$864,000, respectively, which were credited to current accounts with directors and remained unsettled as at 31 March 2016. Such amounts were subsequently waived by Mr. Yu and Mr. Lau on 31 May 2016 and credited as deemed contributions from shareholders in equity as other reserve.

**34. RESERVES OF THE COMPANY****Movement in the Company's reserves**

	Other reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 9 May 2016 (date of incorporation)	—	—	—
Loss and total comprehensive expense for the period	—	(7,153)	(7,153)
Reserve arising from group reorganisation	23	—	23
At 30 June 2016	23	(7,153)	(7,130)

**(B) SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group are detailed as below:

Pursuant to the written resolutions of all shareholders of the Company passed on 6 December 2016, it was resolved, among other things, that:

- (a) the authorised ordinary share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of the Company to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of the Company by creation of an additional 9,962,000,000 ordinary shares of the Company of HK\$0.01 each;
- (b) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix V to the Prospectus; and
- (c) conditional upon the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the global offering, the directors of the Company were authorised to capitalise an amount of HK\$3,199,990 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 319,999,000 ordinary shares of the Company for allotment and issue to the then shareholders of the Company, on a pro rata basis. The ordinary shares of the Company to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued ordinary shares of the Company.

**(C) SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 30 June 2016.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The pro forma financial information should be read in conjunction with the section headed "Financial information" and "Accountants' Report" set forth in Appendix I to this prospectus.

### A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place at 30 June 2016.

The statement of unaudited pro forma 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 financial position of the Group had the Global Offering been completed at 30 June 2016 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$1.00 per Share	<u>90,995</u>	<u>63,919</u>	<u>154,914</u>	<u>0.39</u>
Based on the Offer Price of HK\$1.25 per Share	<u>90,995</u>	<u>83,119</u>	<u>174,114</u>	<u>0.44</u>

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 is extracted from the Accountants' Report set out in "Appendix I — Accountants' Report" to this prospectus.
- (2) The estimated net proceeds from the issue of our Shares pursuant to the Global Offering are based on 80,000,000 new Shares at the Offer Price of lower limit and upper limit of HK\$1.00 and HK\$1.25 per Share, respectively, after deduction of the underwriting commissions and fees and other related fees incurred by the Group since 1 July 2016 assuming that the Over-allotment Option is not exercised. It does not take into account any Shares (i) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 400,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 30 June 2016 and that the Over-allotment Option is not exercised. It does not take into account any Shares (i) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result or other transaction of the Group entered into subsequent to 30 June 2016.
- (5) Based on the property valuation report as of 30 September 2016 as set forth in "Appendix III — Property Valuation", the property interests of the Group attributable to the owners of the Company had a revaluation surplus up to 30 September 2016 of approximately HK\$2.7 million, representing the excess of the market value of these properties (including leasehold land and buildings) over their carrying amounts to the extent attributable to owners of the Company. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has not taken into account the revaluation surplus of properties held for own use (including leasehold land and buildings), nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 September 2016 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately HK\$0.09 million (excluding tax impact) would be charged as expenses.



**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**Deloitte.**

**德勤**

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF SH GROUP (HOLDINGS) LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SH 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 statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 19 December 2016 (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 global offering of the shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2016 as if the Global Offering had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the three years ended 31 March 2016 and the three months ended 30 June 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 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 behaviour.

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 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 30 June 2016 would have been as presented.

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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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 of the Group 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 purpose 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  
19 December 2016

*The following is the text of a report prepared for the purpose of incorporation in this prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2016 of the property held by the Group.*



Unit 3806, 38/F, China Resources Building  
26 Harbour Road, Wan Chai, Hong Kong  
Tel (852) 2529 6878 Fax (852) 2529 6806  
E-mail info@romagroup.com  
http:// www.romagroup.com

19 December 2016

**SH Group (Holdings) Limited**

Units 605-606, 6/F, Tower 1,  
Cheung Sha Wah Plaza  
833 Cheung Sha Wan Road  
Kowloon, Hong Kong

Dear Sir/Madam,

**Re: Property Valuation of 8th floor, Block B, Alexandra Industrial Building, 1064-1066 Tung Chau West Street, 62 King Lam Street & 27 Wing Hong Street, Kowloon, Hong Kong**

In accordance with your instructions for us to value the property owned by SH Group (Holdings) Limited (the “Company”) and/or its subsidiaries’ (together with the Company referred to as the “Group”) in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 September 2016 (the “Date of Valuation”) for the purpose of incorporation in the prospectus of the Company dated 19 December 2016.

**1. BASIS OF VALUATION**

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**2. VALUATION METHODOLOGY**

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

### **3. TITLE INVESTIGATION**

For the property in Hong Kong, we have carried out land search at the Land Registry. However, we have not scrutinised all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

### **4. VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

### **5. SOURCE OF INFORMATION**

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor areas, age of building and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

### **6. VALUATION CONSIDERATION**

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor areas of the property under consideration but we have assumed that the floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate is based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation is prepared in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

## **7. REMARKS**

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK\$).

Our Valuation Certificate is attached.

Yours faithfully,  
For and on behalf of  
**Roma Appraisals Limited**

**Dr. Alan W K Lee**  
*BCom (Property) MFin PhD (BA)*  
*MHKIS RPS (GP) AAPI CPV CPV (Business)*  
**Director**

**Nancy Chan**  
*BSc (Hons) MHKIS MRICS*  
**Senior Manager**

*Notes:* Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 12 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Ms. Nancy Chan is a member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. She has over 6 years' experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, United Kingdom and other overseas countries.

## VALUATION CERTIFICATE

## Property held by the Group for owner-occupation in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2016
8th Floor, Block B, Alexandra Industrial Building, 1064-1066 Tung Chau West Street, 62 King Lam Street & 27 Wing Hong Street, Kowloon	The property comprises a workshop on 8th Floor of a 12-storey industrial building, known as Alexandra Industrial Building, completed in 1971.  As scaled from the registered floor plan, the saleable area of the property is approximately 5,611 square feet.	As at the date of inspection, the property is occupied by the Group for workshop use.	HK\$24,400,000.
389/10,000th equal and undivided shares of and in Section A of New Kowloon Inland Lot No. 2705 and the Extension thereto	The property is held under Conditions of Sale No. 3964 for a term of 75 years renewable for 24 years commencing on 1 July 1898 and extended until 30 June 2047.  The annual Government rent payable for the Property is an amount equal to 3 per cent of the then rateable value of the property.		

*Notes:*

1. The registered owner of the property is Shun Hing E & M Engineering Limited, an indirect wholly-owned subsidiary of the Company, vide Memorial No. 13062502390012 dated 27 May 2013.
2. The property is subject to the following encumbrances:
  - a. Deed of Mutual Covenant with plans vide Memorial No. UB866205 dated 12 January 1972; and
  - b. Mortgage in favour of Hang Seng Bank Limited vide Memorial No. 13062502390023 dated 27 May 2013.
3. The property lies within an area zoned as "Other Specified Uses (Business)" under the draft Cheung Sha Wan Outline Zoning Plan No. S/K5/36 dated 11 March 2016.
4. The property is located in the industrial district in Lai Chi Kok, Kowloon, Hong Kong. Developments in the vicinity comprise mixture of industrial/commercial buildings and public facilities including sports ground and playground. Public transportation facilities such as franchised buses and taxis are readily available nearby. The MTR (Lai Chi Kok) Station is situated at about 5 minutes' walking distance from the property.

5. Our inspection was performed by Ms. Winnie Ko (BSc (Hons) Estate Management) in September 2016.
6. For your accounting reference purpose, the market values of the property as at 31 March 2016, 31 March 2015, 31 March 2014 and 1 April 2013 are as follows:

<b>Date of Valuation</b>	<b>Market Value in Existing State as at the Date of Valuation</b>
31 March 2016	HK\$24,200,000.
31 March 2015	HK\$23,600,000.
31 March 2014	HK\$22,400,000.
1 April 2013	HK\$23,100,000.



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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 May, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). Our Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 6 December 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

- (a) **Shares**
- (i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

- (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### (iii) *Alteration of capital*

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

### (iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

### (v) *Power of our Company to purchase its own shares*

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

### (vi) *Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

### (b) **Directors**

#### (i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to our Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (ii) *Power to allot and issue shares and warrant*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our 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), or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

### (iii) *Power to dispose of the assets of our Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

### (iv) *Borrowing powers*

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

### (vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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(vii) *Loans and provision of security for loans to Directors*

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with our Company or any of its subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;



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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

### (c) **Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

### (d) **Alterations to constitutional documents and our Company's name**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

### (e) **Meetings of members**

#### (i) ***Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (iii) *Annual general meetings*

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

### (iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) days and not less than twenty (20) business days. All other general meetings must be called by notice of at least fourteen (14) days and not less than ten (10) business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition notice of every general meeting, must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However,

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## **APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW**

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an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

### **(g) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro

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## **APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW**

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rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

### (i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

### (j) Procedures on liquidation

A resolution that our 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 our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

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## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW**

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### **(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### **3. CAYMAN ISLANDS COMPANY LAW**

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a) Company operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### **(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by our Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our Company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of our Company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course business.



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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW**

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of our Company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our Company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our Company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our Company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our Company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our Company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of our Company, the directors of our Company resolve to hold such shares in the name of our Company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, our Company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, our Company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of our Company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of our Company’s articles of association or the Companies Law.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### (e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of our Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our Company's assets (including any distribution of assets to members on a winding up) may be made to our Company, in respect of a treasury share.

### (f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our Company to challenge (a) an act which is ultra vires our Company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our Company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our Company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our Company's affairs in the future, (b) an order requiring our Company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of our Company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our Company by other shareholders or by our Company itself and, in the case of a purchase by our Company itself, a reduction of our Company's capital accordingly.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Company's memorandum and articles of association.

### (g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### (h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by our Company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our Company; and (iii) the assets and liabilities of our Company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our Company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

### (i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

### (j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 28 June, 2016.

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## **APPENDIX IV    SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW**

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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. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. Our company shall cause to be kept at the place where our Company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

### (p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of our Company have passed a special resolution requiring our Company to be wound up by the Court, or where our Company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of our Company as contributories on the ground that it is just and equitable that our Company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of our Company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of our Company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of our Company by other members or by our Company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when our Company so resolves by special resolution or when our Company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our Company shall be in the custody of the Court.

As soon as the affairs of our Company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of our Company has been disposed of, and thereupon call a general meeting of our Company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by our Company's articles of association and published in the Gazette.

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## APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN COMPANY LAW

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### (q) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

### (r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### (s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

## 4. **GENERAL**

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong — Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 May 2016. Our Company has established a place of business in Hong Kong at Units 605-606, 6/F, Tower I, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 18 July 2016. In connection with such registration, Mr. Yu of Flat H, 6/F, Block 7, Laguna City, Kwun Tong, Kowloon, Hong Kong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each.
- (b) Pursuant to the written resolution of the Shareholders passed on 6 December 2016, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.
- (c) Immediately following the completion of the Global Offering 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 and any options which may be granted under the Share Option Scheme), 400,000,000 Shares will be issued fully paid or credited as fully paid and 9,600,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital within two years immediately preceding the date of this prospectus.

**3. Changes in share capital of the subsidiaries**

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed "History, reorganisation and corporate structure — Reorganisation" in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

**4. Written resolutions of the Shareholders passed on 6 December 2016**

Under the written resolutions of the Shareholders passed on 6 December 2016, among other things:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (b) our Company approved and adopted the Memorandum with immediate effect and the Articles of Association conditionally with effect from the Listing Date;
- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreements on the date as specified in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
  - (i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Global Offering Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option; (bb) implement the Global Offering and the listing of Shares on Main Board; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (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 this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$3,199,990 standing to the credit of the share premium account of our Company



by applying such sum towards the paying up in full at par a total of 319,999,000 Shares for allotment and issue to the Shareholders in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal in (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles of Association, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Capitalisation Issue or the Global Offering or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal value not exceeding the sum of 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate number of shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that

such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

## 5. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History, reorganisation and corporate structure” in this prospectus for further details.

## 6. Repurchase by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

#### (i) *Shareholders’ approval*

The Listing Rules provide that all proposed repurchases of Shares (which must be fully paid in the case of Shares) by our Company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions of the Shareholders passed on 6 December 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial shareholder of our Company or any of the subsidiaries or an close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands including the Companies Law.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing level of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands including the Companies Law.

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 purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary and usual course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an instrument of transfer and the bought and sold notes both dated 29 March 2016 entered into between Mr. Yu as transferor and Triumph Legend as transferee for the transfer of 3,936,000 ordinary shares of Shun Hing HK from Mr. Yu to Triumph Legend at a consideration of HK\$3,936,000;
- (b) an instrument of transfer and the bought and sold notes both dated 29 March 2016 entered into between Mr. Lau as transferor and Triumph Legend as transferee for the transfer of 864,000 ordinary shares of Shun Hing HK from Mr. Lau to Triumph Legend at a consideration of HK\$864,000;
- (c) a deed of waiver dated 31 May 2016 given by Mr. Yu and Mr. Lau in favour of Triumph Legend, pursuant to which a consideration of HK\$3,936,000 and HK\$864,000, respectively, for the acquisition of Shun Hing HK by Triumph Legend was waived;
- (d) an instrument of transfer and the bought and sold notes both dated 22 June 2016 entered into between Mr. Yu as transferor and Blissful Choice as transferee for the transfer of 205,000 ordinary shares of Golden Light from Mr. Yu to Blissful Choice in the consideration of Blissful Choice allotting and issuing 820 shares of US\$1.00 each of Blissful Choice;

- (e) an instrument of transfer and the bought and sold notes both dated 22 June 2016 entered into between Mr. Lau as transferor and Blissful Choice as transferee for the transfer of 45,000 ordinary shares of Golden Light from Mr. Lau to Blissful Choice in the consideration of Blissful Choice allotting and issuing 180 shares of US\$1.00 each of Blissful Choice;
- (f) an instrument of transfer dated 30 June 2016 entered into between Mr. Yu as transferor and our Company as transferee for the transfer of 1,640 ordinary shares of Blissful Choice from Mr. Yu to our Company at a consideration of US\$1,640, which was satisfied by allotment and issue of 369 Shares of HK\$0.01 each in the capital of our Company to Prosperously Legend;
- (g) an instrument of transfer dated 30 June 2016 entered into between Mr. Lau as transferor and our Company as transferee for the transfer of 360 ordinary shares of Blissful Choice from Mr. Lau to our Company at a consideration of US\$360, which was satisfied by allotment and issue of 81 Shares of HK\$0.01 each in the capital of our Company to Simply Grace;
- (h) an instrument of transfer dated 30 June 2016 entered into between Mr. Yu as transferor and our Company as transferee for the transfer of 820 ordinary shares of Triumph Legend from Mr. Yu to our Company at a consideration of US\$820, which was partly satisfied by (i) crediting the 82 nil-paid shares held by Triumph Legend and partly by (ii) allotment and issue of 369 shares of HK\$0.01 each in the capital of our Company to Prosperously Legend;
- (i) an instrument of transfer dated 30 June 2016 entered into between Mr. Lau as transferor and our Company as transferee for the transfer of 180 ordinary shares of Triumph Legend from Mr. Lau to our Company at a consideration of US\$180, which was partly satisfied by (i) crediting the 18 nil-paid shares held by Simply Grace and partly by (ii) allotment and issue of 81 Shares of HK\$0.01 each in the capital of our Company to Simply Grace;
- (j) the Deed of Indemnity;
- (k) the Deed of Non-competition; and
- (l) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights of our Group

### (a) *Trademark*

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Place of Registration	Class	Registered Owner	Trademark No.	Date of Registration	Expiry Date
	Hong Kong	37, 42	Shun Hing HK	303621564	8 December 2015	7 December 2025
						

### (b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
shunhingeng.com	Register.com, Inc. <i>(Note)</i>	19 August 2000	19 August 2017

*Note:* Register.com, Inc. is the agent of Shun Hing HK and it holds the domain name on behalf of Shun Hing HK.

## C. DISCLOSURE OF INTEREST

### 1. Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations following the Global Offering

Immediately following completion of the Capitalisation Issue and the Global Offering, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares or debentures of our Company or any of the 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 any interests and short positions which they are 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 in the register as referred to therein, or will be required, or pursuant to the Listing Rules, to be notified to our Company and the Stock Exchange will be as follows:

*Long position in Shares*

Name of Director	Capacity/Nature of interest	Number of Shares <sup>(Note 3)</sup>	Percentage of shareholding interests
Mr. Yu <sup>(Note 1)</sup>	Interests held jointly with another person <sup>(Note 4)</sup> ; interest in controlled corporation	246,000,000 (L)	61.5%
Mr. Lau <sup>(Note 2)</sup>	Interests held jointly with another person <sup>(Note 4)</sup> ; interest in controlled corporation	54,000,000 (L)	13.5%

*Notes:*

1. Our Company will be owned as to 61.5% by Prosperously Legend immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Prosperously Legend is legally and beneficially owned as to 100% by Mr. Yu.
2. Our Company will be owned as to 13.5% by Simply Grace immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Simply Grace is legally and beneficially owned as to 100% by Mr. Lau.
3. The letter “L” denotes the person’s long position in our Shares.
4. On 7 July 2016, Mr. Yu and Mr. Lau entered into the Acting-in-concert Confirmation, whereby they confirmed that among other things, since 21 July 2004, they have been actively cooperating with one another and acting in concert which together hold 75% of shareholding interests, with an aim to achieving consensus and concerted action on all operating and financing decisions and major affairs relating to each member company within our Group. For details of the acting in concert arrangement, please refer to the section headed “History, reorganisation and corporate structure — Acting-in-concert Confirmation” in this prospectus.

## 2. Interests and short positions of substantial shareholders in the Shares, underlying Shares and debentures of our Company and its associated corporations

So far as it is known to our Directors and save as disclosed in this prospectus, immediately following the completion of the Capitalisation Issue and the Global Offering, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

### *Long position in Shares*

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares<sup>(Note 3)</sup></b>	<b>Percentage of shareholding interests</b>
Prosperously Legend <sup>(Note 1)</sup>	Beneficial owner	246,000,000 (L)	61.5%
Simply Grace <sup>(Note 2)</sup>	Beneficial owner	54,000,000 (L)	13.5%

#### *Notes:*

1. Prosperously Legend is wholly-owned by Mr. Yu.
2. Simply Grace is wholly-owned by Mr. Lau.
3. The letter “L” denotes the person’s long position in our Shares.

## 3. Particulars of service agreements and appointment letters

### (a) *Executive Directors*

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date. Either party has the right to terminate the service agreement by giving not less than six months’ written notice to the other party.

### (b) *Non-executive Director and independent non-executive Directors*

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date. Either party has the right to terminate the letter of appointment by giving not less than three months’ written notice to the other party. Save for our Directors’ fees, none of the non-executive Director and the independent non-executive Directors is expected to receive any other emolument for holding his or her office as a non-executive Director or an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service agreement with our Company or any of the subsidiaries (other than the contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).



## 4. Directors' emoluments

- (a) For each of the three years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately HK\$2.3 million, HK\$2.9 million, HK\$2.8 million and HK\$0.8 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2017 are expected to be approximately HK\$3.6 million.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016 (1) as an inducement to join or upon joining our Company or (2) 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.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2014, 2015 and 2016 and the three months ended 30 June 2016.
- (e) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

<b>Executive Directors</b>	<i>HK\$</i>
Mr. Yu	2,160,000
Mr. Lau	1,800,000
<b>Non-executive Director</b>	<i>HK\$</i>
Mr. Yu Ho Chi	120,000
<b>Independent non-executive Directors</b>	<i>HK\$</i>
Mr. Lam Yim Nam	120,000
Mr. Lee Wing Kee	120,000
Mr. To Yan Ming Edmond	120,000

For details of our Directors' remuneration during the Track Record Period, please refer to the section headed "Directors, senior management and employees — Compensation of directors and senior management" in this prospectus and "Accountants' Report — 8. Directors' and employees' emoluments" in Appendix I to this prospectus.

- (f) Each of our executive Directors and non-executive Director is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his or her duties to our Group under the service agreement.

#### 5. Fees or commission received

Save as disclosed in the section headed “Underwriting — Underwriting arrangements and expenses — International Placing — Underwriting commission and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “— E. Other information — 6. Qualifications of experts” in this appendix had received any agency fee or commissions from our Group within the two years immediately preceding the date of this prospectus.

#### 6. Related party transactions

Details of the related party transactions are set out under Note 29 to the Accountants’ Report as set out in Appendix I to this prospectus.

#### 7. Disclaimers

Save as disclosed in this prospectus:

- (a) without taking into account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies once our Shares are listed;
- (c) none of our Directors or the experts named in paragraph headed “— E. Other information — 6. Qualifications of Experts” in this appendix has been directly or indirectly interested in the promotion of, or in any assets which have been, within the two years immediately

preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Global Offering Shares either in his own name or in the name of a nominee;

- (d) none of our Directors or the experts named in the paragraph headed “— E. Other information — 6. 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; and
- (e) none of the experts named in paragraph headed “— E. Other information — 6. Qualifications of Experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

#### **D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 6 December 2016:

##### **1. Conditions**

- (a) The Share Option Scheme is conditional upon:
  - (i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
  - (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of the Shareholder(s);
  - (iii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional and not being terminated in accordance with its terms or otherwise; and
  - (iv) the commencement of dealings in the Shares on the Stock Exchange.
- (b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.
- (c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

## 2. Purpose, duration and administration

- (a) The purpose of the Share Option Scheme is to enable our Group to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.
- (b) The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.
- (c) Subject to paragraphs 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of our Company on the date falling on the last day of the period of ten (10) years after the Adoption Date, after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as maybe required in accordance with the provisions of the Share Option Scheme.
- (d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his personal representative (the “**Grantee**”) shall ensure that the acceptance of an offer, the holding and exercise of his option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. Our Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

## 3. Grant of options

- (a) Subject to paragraph 3(b), our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the Adoption Date to make an offer to any person belonging to the following classes of participants (the “**Eligible Participants**”) to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange for the time being or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the “**Subscription Price**”), as our Directors shall, subject to paragraph 4, determine:
  - (i) any employee (whether full time or part time, including any executive director and non-executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the “**Invested Entity**”) (the “**Eligible Employee**”);

- (ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

- (b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).
- (c) The eligibility of any of the Eligible Participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.
- (d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "**Option Period**" (which means, in respect of any particular option, a period (which shall not be more than 10 years from the offer date of that option) to be determined and notified by our Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the

offer is made and further requiring the Eligible 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 and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.

- (e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:
- (i) the name, address and position of the Eligible Participant;
  - (ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;
  - (iii) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;
  - (iv) the last date by which the offer must be accepted (which may not be later than 21 days from the offer date);
  - (v) the procedure for acceptance;
  - (vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;
  - (vii) such other terms and conditions of the offer as may be imposed by our Directors as are not inconsistent with the Share Option Scheme; and
  - (viii) a statement requiring the Eligible 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 including, without limitation, the conditions specified in, inter alia, paragraphs 2(d) and 5(a).
- (f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.
- (g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange for the time being or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by our

Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

- (h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.
- (i) The Option Period of an option may not expire later than ten (10) years after the Offer Date of that Option.
- (j) Options will not be listed or dealt in on the Stock Exchange.
- (k) For so long as the Shares are listed on the Stock Exchange:
  - (i) our Company may not grant any options after inside information has come to the knowledge until our Company has announced the information. In particular, our Company may not grant any option during the period commencing one month immediately before the earlier of:
    - (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving our Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the Listing Rules); and
    - (bb) the deadline for our Company to announce the results for any year, half-year or quarter-year period in accordance with the Listing Rules or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement; and
  - (ii) our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

#### 4. Subscription Price

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any business day falling within the period before the Listing Date.

#### 5. Exercise of options

- (a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.
- (b) Unless otherwise determined by our Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.
- (c) Subject to, inter alia, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange for the time being or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (7 days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise



of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his estate in the event of an exercise by his personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.

- (d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:
- (i) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;
  - (ii) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as our Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;
  - (iii) if a general or partial 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 Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavour to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his

options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

- (iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two (2) business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his option not less than one (1) day before the date on which such resolution is to be considered and/or passed where upon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and
- (v) if the Grantee is a company wholly-owned by one or more Eligible Participants:
  - (aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and
  - (bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.
- (e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or

other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

#### 6. Early termination of Option Period

- (a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:
- (i) subject to paragraphs 2(c) and 13, the expiry of the Option Period;
  - (ii) the expiry of any of the periods referred to in paragraph 5(d);
  - (iii) the date of commencement of the winding-up of our Company;
  - (iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);
  - (v) in respect of a Grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (aa)(1) such Grantee or his associate has committed any breach of any contract entered into between such Grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and
  - (vi) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.
- (b) A resolution of our Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.

- (c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by our Directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. **Maximum number of Shares available for subscription**

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 40,000,000 Shares (without taking into account the Shares (if any) which may be allotted and issued pursuant to the exercise of the Over-allotment Option) (the “**General Scheme Limit**”) provided that:
  - (i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and
  - (ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate Shareholders’ approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.
- (c) Subject to paragraph 7(d), the total number of Shares issued and which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme

would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his associates abstaining from voting.

- (d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting.

- (e) For the purpose of seeking the approval of the Shareholders under paragraphs 7(b), 7(c) and 7(d), our Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

#### 8. Adjustments to the Subscription Price

- (a) In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:
- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised);
  - (ii) the Subscription Price of any option; and/or
  - (iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that;

- (aa) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (bb) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (cc) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (dd) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

- (b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).
- (c) In giving any certificate under this paragraph 8, the auditors or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

## **9. Cancellation of options**

- (a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

- (b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to paragraph 7(b)(i) or 7(b)(ii).

#### **10. Share capital**

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient authorised but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

#### **11. Disputes**

Any dispute arising in connection with the number of Shares the subject of an option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

#### **12. Alteration of the Share Option Scheme**

- (a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of our Directors except that the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules; shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to the Shares.
- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.
- (d) The terms of the Share Option Scheme and/or any options amended pursuant to this paragraph 12 must comply with the applicable requirements of the Listing Rules.

### **13. Termination**

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the options granted under the Share Option Scheme. As at the date of this prospectus, no option had been granted by our Company under the Share Option Scheme.

## **E. OTHER INFORMATION**

### **1. Tax and other indemnity**

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for themselves and for each of the subsidiaries) (being the material contract referred to in paragraph B.1(j) of this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any income, profits, gains, accrued or received or property received as a result of a transfer by any person as well as any claim to which any member of our Group may be subject and payable on or before the date on which the Global Offering becomes unconditional and all losses, liabilities or damages suffered by it in connection with the claims, non-compliance of any legal and/or regulatory requirements of any jurisdiction and in relation to the incorrect tax returns filed with the IRD on or before the Listing Date. For details, please refer to the sections headed “Business — Systemic non-compliance of our Group” and “Financial information — Description of selected components of consolidated income statement — Income tax expense” in this prospectus.

### **2. Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, to the best of our Directors’ knowledge, there was no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group’s financial conditions or results of operations.

### **3. Sole Sponsor**

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.



The Sole Sponsor's fees are HK\$4.6 million and are payable by our Company.

#### 4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$0.1 million and are payable by our Company.

#### 5. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

#### 6. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus, and have given and have not withdrawn their written consents to the issue of this prospectus with the inclusion of their letter, report, opinion and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

Name	Qualifications
Innovax Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Roma Appraisals Limited	Property valuer
Mr. Billy C. K. Poon	Hong Kong barrister-at-law
Ipsos Limited	Industry consultant

#### 7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## 8. Share Registrar

The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

## 9. Taxation of holders of Shares

### (a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### (b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares for so long as the Company does not hold interests in land in the Cayman Islands.

### (c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering would accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

## 10. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

- (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
- (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2016, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus;
- (d) our Directors confirm that 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;
- (e) our Company has no outstanding convertible debt securities or debentures; and
- (f) there is no arrangement under which future dividends are waived or agreed to be waived.

#### 11. 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).

#### 12. Particulars of the Selling Shareholders

Name:	Prosperously Legend Limited
Registered address:	NovaSage Chambers, Wickham's Cay II, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	16,400,000
Name:	Simply Grace Limited
Registered address:	NovaSage Chambers, Wickham's Cay II, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	3,600,000

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the section headed “Statutory and general information — E. Other information — 6. Qualifications of experts” in Appendix V to this prospectus; (c) copies of the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus; and (d) a copy of the statement of the names, description and addresses of the Selling Shareholders.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Loeb & Loeb LLP of 21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountants’ report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of the Company for each of the three years ended 31 March 2016 and the three months ended 30 June 2016;
- (d) the independent reporting accountants assurance report on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the property valuation report prepared by Roma Appraisals Limited, the text of which is set out in Appendix III in this prospectus;
- (f) the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus;
- (g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (h) the service agreements and appointment letters referred to in the section headed “Statutory and general information — C. Disclosure of interest — 3. Particulars of service agreements and appointment letters” in Appendix V to this prospectus;
- (i) the rules of the Share Option Scheme;

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG**

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- (j) the written consents referred to in the section headed “Statutory and general information — E. Other information — 6. Qualifications of experts” in Appendix V to this prospectus;
- (k) the Companies Law;
- (l) the legal opinion prepared by the Legal Counsel dated the date of this prospectus; and
- (m) a statement of particulars of the Selling Shareholders.

 **SH GROUP (HOLDINGS) LIMITED**  
**順興集團(控股)有限公司**