

GME Group Holdings Limited 駿傑集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8188

PLACING

Sponsor

ALTUS CAPITAL LIMITED

Sole Lead Manager



Pacific
Foundation

IMPORTANT

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

GME Group Holdings Limited

駿傑集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 125,000,000 Shares
Placing Price : Not more than HK\$0.54 per Share and expected
to be not less than HK\$0.50 per Share plus
brokerage of 1.0%, SFC transaction levy of
0.0027% and Stock Exchange trading fee of
0.005% (payable in full on application, and
subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8188

Sponsor

ALTUS CAPITAL LIMITED

Sole Lead Manager



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 in 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 in this prospectus.

A copy of this prospectus, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents in this prospectus or any other documents referred to above.

The Placing Price is currently expected to be fixed by an agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date, which is scheduled on or about 16 February 2017, or such other date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter). If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) are unable to reach an agreement on the Placing Price on 17 February 2017 (or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter)), the Placing will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.gmehk.com. The Placing Price is expected to be not more than HK\$0.54 per Share and not less than HK\$0.50 per Share. The Sole Lead Manager (for itself and on behalf of the Underwriter) may, with the consent of our Company, reduce the indicative Placing Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative Placing Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.gmehk.com.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Placing should note that the Sole Lead Manager (for itself and on behalf of the Underwriter) is entitled to terminate the Underwriting Agreement by giving a notice in writing to our Company upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Lead Manager (for itself and on behalf of the Underwriter) terminate the Underwriting Agreement, the Placing will not proceed and will lapse. The Placing will become unconditional at 8:00 a.m. (Hong Kong time) on the Listing Date.

14 February 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

2017

(Note 1)

Price Determination Date *(Note 2)* on Thursday, 16 February

Announcement of the determination of the Placing Price and
the level of indication of interest in the Placing to be published on:

- (i) the Stock Exchange's website at www.hkexnews.hk; and
- (ii) our Company's website at www.gmehk.com on or before Tuesday, 21 February

Allotment of the Placing Shares to placees on or before Tuesday, 21 February

Deposit of share certificates for the Placing Shares
into CCASS on or before *(Note 3)* Tuesday, 21 February

Dealings in the Shares on GEM to commence
at 9:00 a.m. *(Notes 4 and 5)* on Wednesday, 22 February
(Note 6)

Notes:

1. Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is scheduled at 6:00 p.m. on Thursday, 16 February 2017 (or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter)). If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) are unable to reach an agreement on the Placing Price on Friday, 17 February 2017 (or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter)), the Placing will not proceed and will lapse.
3. Share certificates for the Placing Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or before Tuesday, 21 February 2017 for credit to the respective CCASS participants' or the CCASS investor participants' stock accounts designated by the Sole Lead Manager (for itself and on behalf of the Underwriter), the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued by our Company.
4. For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and conditions of the Placing" of this prospectus.
5. All share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (a) the Placing has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, our Company will make an announcement as soon as possible on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.gmehk.com. Investors who trade in our Shares prior to the receipt of the share certificates becoming valid do so entirely at their own risk.
6. If there is any change to the above expected timetable, we will make a separate announcement on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.gmehk.com to inform investors accordingly.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

Prospective investors should rely only on the information contained in this prospectus to make investment decision. Our Company, the Sponsor, the Sole Lead Manager and the Underwriter, have not authorised anyone to provide prospective investors with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by prospective investors as having been authorised by our Company, the Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

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SUMMARY

This summary is intended to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is only a summary, it may not contain all the information that may be important to you. This prospectus should be read in its entirety before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the specific risks involved in investing in the Placing Shares are set out in the section headed “Risk factors” of this prospectus. You should read the “Risk factors” section carefully before making any decision to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” of this prospectus.

OVERVIEW

Our Group is an established subcontractor engaged in civil engineering works operating solely in Hong Kong. Our Group is principally engaged in the provision of underground construction services and serves mainly private main contractors in public sector infrastructure projects. Our Group has also been involved in some private sector projects. Public sector projects refer to projects in which the main contractors are employed by the Hong Kong Government, its statutory bodies or statutory corporations, while private sector projects cover all other types of engagements. Our civil engineering projects are non-recurrent in nature. Our Group generally enters into construction contracts through tendering processes in which we are invited to submit tenders.

BUSINESS MODEL

Our Group provides underground construction services, with a primary focus on two service lines: (i) tunnel construction (including excavation, shotcreting, shutter design and fabrication, tunnel lining services and advanced works); and (ii) utility construction and others (layout and refurbishment of gas pipes and structural works).

Our role as a subcontractor

Our Group positions ourselves as a subcontractor in the underground construction industry in Hong Kong. Our major customers comprise main contractors in Hong Kong engaging in underground construction services. Our Group is normally required to adhere to the pre-determined work schedule to provide various types of underground construction and other services in accordance with the terms of the contracts entered into between our Group and our customers. For more details on the major terms generally contained in contracts between our Group and our customers, please refer to the paragraph headed “Major terms of project” in the section headed “Business” of this prospectus.

SUMMARY

Our Group does not provide any services that would require a separate licence or permit in addition to those licence obtained by our main contractors. Our Group is, however, registered under the Subcontractor Registration Scheme. For further details of our Group's registration under the Subcontractor Registration Scheme, please refer to the paragraph headed "Licences and permits" in the section headed "Business" of this prospectus.

Services

The underground construction services provided by our Group can be categorised into the following components, whereas individual engagements undertaken by our Group can comprise more than one of the following components:

- Advanced works which generally relate to the advanced works required prior to the tunnel construction and more specifically, to reinforce the slopes above the tunnel opening in a mountain, or to provide a stable working environment for cut and cover tunnel construction.
- Main tunnel construction works which mainly consist of four stages, namely (i) excavation of rocks and soil; (ii) stabilisation of tunnel walls; (iii) design and fabrication of tunnel shutters; and (iv) in situ concrete lining.
- Structural works which mainly relate to the construction of ancillary buildings, and permanent or temporary support structures which usually form part of a larger tunnel construction project.
- Utility construction services and others which relate to underground utility construction and refurbishment services relating to underground gas pipelines.

Our Group is also engaged in the provision of other general structural and slope works which are not related to, or form part of, tunnel construction projects.

For further details of our services of our Group, please refer to the paragraph headed "Our services" in the section headed "Business" of this prospectus.

SUMMARY

Competitive strengths

We believe that our competitive strengths, as set out below, have benefitted our operations during the Track Record Period.

- We provide integrated services for tunnel construction. Our Group has the experience and capability to provide a comprehensive range of tunnel construction services, from the excavation of rocks using drill & blast or drill & break methods, the stabilisation of tunnel walls through wet-shotcreting, the design and fabrication of customised tunnel shutters, to the in situ concrete lining finishing of the tunnel. Our Group is also experienced in and capable of providing advanced works services relating to tunnel construction such as slope stabilisation and the construction of shafts, and structural works services including the construction of ancillary buildings.
- We have a qualified and experienced management team, which is capable of offering comprehensive services and tailored solutions to our customers. Our executive Directors have over 15 years of industry experience and have amassed significant working knowledge of the industry over their careers.
- We commit to comply with safety standard, quality control and environmental protection. Our Group places considerable emphasis on complying with the main contractors' safety standards, and quality control as such compliance can directly affect our reputation, service quality and profitability. Our management system has been certified to be in accordance with the standard required under ISO 9001:2008 (quality management) since 2009.

Business objectives and strategies

To leverage on our competitive strengths, we have defined our business objectives and strategies to be (i) we further develop our reputation as a quality provider of integrated tunnel construction services; (ii) we extend our services into other high-value construction services, such as marine construction works – mainly for public construction projects; and (iii) we enhance the efficiency of our operations in order to better serve our customers and improve our financial results.

SUMMARY

Projects

The following table sets out a breakdown of the projects participated by our Group during each of the year ended 31 December 2014 and 2015 and the eight months ended 31 August 2015 and 2016, and the recognised revenue attributable to public sector tunnel construction projects, public sector utility construction and other projects, and private sector projects:

	During the year ended 31 December 2014				During the year ended 31 December 2015				During the eight months ended 31 August 2015				During the eight months ended 31 August 2016			
	No. of projects brought forward	No. of newly commenced projects	Revenue recognised for projects brought forward HK\$'000	Revenue recognised during the year HK\$'000	No. of projects brought forward	No. of newly commenced projects	Revenue recognised for projects brought forward HK\$'000	Revenue recognised during the year HK\$'000	No. of projects brought forward	No. of newly commenced projects	Revenue recognised for projects brought forward HK\$'000	Revenue recognised during the period HK\$'000	No. of projects brought forward	No. of newly commenced projects	Revenue recognised for projects brought forward HK\$'000	Revenue recognised during the period HK\$'000
Public sector projects																
Tunnel construction	3	3	28,749	50,249	4	3	21,500	50,249	4	4	44,418	50,249	4	1	76,729	38,506
Utility construction and others	2	1	39,343	40,670	1	1	1,327	40,670	2	2	11,790	40,670	3	1	2,598	9,316
Subtotal	5	4	68,092	90,919	5	4	22,827	90,919	6	6	56,208	90,919	7	2	79,327	47,822
Private sector projects (Note)	1	1	576	3,274	1	1	2,698	3,274	–	2	–	3,274	–	3	–	3,350
Total	6	5	68,668	94,193	6	5	25,525	94,193	6	8	56,208	94,193	6	5	79,327	51,172
Public sector projects																
Tunnel construction	4	3	35,679	38,506	3	3	2,827	38,506	4	4	76,729	38,506	4	1	119,458	77,307
Utility construction and others	2	–	9,316	9,316	–	–	–	9,316	3	–	–	9,316	3	–	–	3,219
Subtotal	6	3	44,995	47,822	3	3	2,827	47,822	7	4	76,729	47,822	7	1	119,458	80,526
Private sector projects (Note)	–	2	–	3,350	2	2	3,350	3,350	1	3	48	3,350	1	3	4,220	4,268
Total	6	5	44,995	51,172	5	5	6,177	51,172	8	7	79,375	51,172	8	4	123,678	84,794

Note: Private sector projects refer to all projects which are not public sector projects. During the Track Record Period, our Group had provided (i) structural works; (ii) slope works; and (iii) refurbishment works services in connection with the private sector projects we were involved in.

SUMMARY

As can be seen from the table above, the total contribution of revenue generated by tunnel construction projects to our Group's total revenue had generally increased during the Track Record Period and had contributed a significant part of our Group's revenue. The increase in revenue contributed by tunnel construction projects was mainly due to the increase in capacity of our team and the development of our reputation in the tunnel construction industry.

During the Track Record Period, and up to the Latest Practicable Date, the number of contracts successfully awarded to our Group out of the total number of tenders submitted were as follows:

	For the year ended		For the eight	From
	31 December		months ended	1 September
	2014	2015	31 August	2016 to
			2016	the Latest
				Practicable Date
Number of submissions	18	48	30	6
Awarded contracts				
(As at the Latest Practicable Date)	5	11	9	–
Aggregate contract sum of				
awarded contracts				
(As at the Latest Practicable Date)	HK\$33.2 million	HK\$101.2 million	HK\$85.3 million	–
Success rate				
(As at the Latest Practicable Date)	27.8%	22.9%	30.0%	–

It should be noted that the above success rates do not reflect matters such as the type, size and contract value of projects bid for and awarded in each period. However, we set out the above to give investors a general idea of what submission success rates are recorded by our Group. For further details of our Group's tender submission success rate, please refer to the paragraph headed "Contracts awarded" in the section headed "Business" of this prospectus.

SUMMARY

Set out below is a table showing the number of projects in progress as at 31 December 2014 and 2015 and 31 August 2016. The corresponding revenue by type of projects recognised for the three months ended 30 November 2016 and the remaining revenue to be recognised on or after 1 December 2016 is also set out in the table below:

	As at 31 December		2015		As at 31 August		2016		Total amount including amounts recognised and expected to be recognised as revenue
	Number of projects	Remaining revenue to be recognised HK\$ million	Number of projects	Remaining revenue to be recognised HK\$ million	Number of projects	Remaining revenue to be recognised HK\$ million	Revenue recognised for the three months ended 30 November 2016 HK\$ million	Estimated revenue to be recognised on or after 1 December 2016 HK\$ million	
	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	HK\$ million	(Note 1)	(Note 2)
Public sector projects									
• Tunnel construction	4	31.0	4	80.4	5	48.5	37.6	10.9	166.9
• Utility construction and others	2	15.8	3	12.7	2	15.7	1.4	14.3	17.1
Sub-total	6	46.8	7	93.1	7	64.2	39.0	25.2	184.0
Private sector projects	-	-	-	-	1	0.3	0.3	-	1.0
Total	6	46.8	7	93.1	8	64.5	39.3	25.2	185.0

Notes:

- The number of projects and remaining revenue to be recognised as at a particular year/period end may include those projects that existed in previous year ends.
- The amount of revenue that the Company has recognised as well as the amount of revenue that the Company expects to recognise in the future for the projects mentioned in the table.

Set out below is a table showing the details of the projects in progress as at the Latest Practicable Date.

Projects	Public or private sector	Description and our services	Customer	From	Expected completion date	Estimated project sum as at 31 August 2016 HK\$ million	Revenue recognised as at 31 August 2016 HK\$ million	Percentage of completion as at 31 August 2016
Project C	Public sector	Tunnel construction	Customer C	July 2013	February 2017 (Note 1)	41.9	32.2	76.8%
Project F	Public sector	Tunnel construction	Customer C	August 2015	June 2017	24.4	24.4	100.0% (Note 2)
Project E	Public sector	Utility construction and others	Customer E	November 2015	February 2018	10.9	0.9	8.3%

SUMMARY

Projects	Public or private sector	Description and our services	Customer	From	Expected completion date	Estimated project sum as at 31 August 2016 <i>HK\$ million</i>	Revenue recognised as at 31 August 2016 <i>HK\$ million</i>	Percentage of completion as at 31 August 2016
Project U	Public Sector	Utility construction and others	Customer I	July 2016	June 2017	6.3	0.6	9.5%
Project Y	Public sector	Tunnel construction	Customer B	August 2016	July 2017	4.1	0.6	14.6%
Project Z	Public sector	Tunnel construction	Customer K	September 2016	February 2017	- <i>(Note 3)</i>	-	-
Project AA	Public sector	Tunnel construction	Customer K	November 2016	December 2017	- <i>(Note 3)</i>	-	-
Project AB	Public sector	Tunnel construction	Customer C	January 2017	February 2017	- <i>(Note 3)</i>	-	-

Notes:

1. Our Group is constantly being engaged by the customer for additional works for the project on an ongoing basis, hence the expected completion date is only the tentative completion date for the works we have on hand as at the Latest Practicable Date.
2. Our Group is being engaged by the customer on a monthly basis for the project, hence there would not be any outstanding project sum at the end of each month. The project is expected to be completed by June 2017.
3. Project Z, Project AA and Project AB were awarded after 31 August 2016, hence there was no estimated project sum as at 31 August 2016. The respective estimated project sum for Project Z, Project AA and Project AB as at the Latest Practicable Date were approximately HK\$4.5 million, HK\$65.8 million and HK\$1.1 million.

For further details of the projects of our Group, please refer to the paragraph headed “Projects” in the section headed “Business” of this prospectus.

Pricing

Our pricing is determined based on a cost plus pricing model on a project-by-project basis. We estimate our cost of undertaking a project with reference to various factors including, but not limited to, (i) the nature, scope, scale and complexity of the project; (ii) the estimated number and types of workers and site equipment required; (iii) the construction methods and techniques expected to be applied to the project; (iv) the completion date requested by the customer; (v) the estimated construction material costs with reference to the relevant price indicators on the material index; and (vi) the prevailing market conditions in general. For further details of our services of our Group, please refer to the paragraph headed “Pricing” in the section headed “Business” of this prospectus.

SUMMARY

Customers

Our customers are primarily main contractors and their joint ventures engaging in various types of construction or civil engineering projects in Hong Kong. During the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, there were six, nine and seven customers who contributed to our revenue respectively. For the years ended 31 December 2014 and 2015, the percentage of our total revenue attributable to our largest customer amounted to approximately 37.2% and 33.7% respectively, while the percentage of our total revenue attributable to our five largest customers amounted to approximately 96.6% and 94.0% respectively. For the eight months ended 31 August 2016, our top five customers accounted for approximately 99.3% of our total revenue while the percentage of our total revenue attributable to our largest customer amounted to approximately 58.3%. For further details of the customers of our Group, please refer to the paragraph headed “Customers” in the section headed “Business” of this prospectus.

According to the Euromonitor Report, due to the high barriers of entry, a few main construction companies dominate Hong Kong’s tunnel construction industry in which our Group operates. Therefore our Group’s customer base is relatively concentrated to a few reputable main contractors in the market. For further information on our concentrated customer base, please refer to the paragraph headed “Customer concentration” in the section headed “Business” of this prospectus.

Suppliers

During the Track Record Period, our Group’s suppliers mainly included (i) suppliers of construction materials and supplies; and (ii) site equipment rental services providers. For the two years ended 31 December 2015 and the eight months ended 31 August 2016, the percentage of our total purchase incurred (excluding subcontracting charges incurred) in relation to our largest supplier amounted to approximately 18.2%, 9.7% and 14.1% respectively, and the percentage of our total purchase incurred (excluding subcontracting charges incurred) in relation to our top five suppliers amounted to approximately 42.6%, 33.4% and 37.4% respectively. For further details of the suppliers of our Group, please refer to the paragraph headed “Suppliers” in the section headed “Business” of this prospectus.

SUMMARY

Tunnel construction industry outlook

The growth of tunnel construction industry in Hong Kong is expected to slow down from a CAGR of approximately 19.1% from 2011 to 2015 to a CAGR of approximately 10.6% from 2016 to 2020 according to the Euromonitor Report. Such a slowdown is mainly attributable to the completion of several major infrastructure projects, and a shift in Hong Kong Government's investment gradually from large infrastructure works to housing development. Furthermore, the Hong Kong Government's announcement of a slow down in the funding of public construction contracts will likely to dampen the growth of Hong Kong's tunnel construction industry from 2016 to 2020. Nonetheless, tunnel construction industry in Hong Kong is still expected to continue growing, supported by ongoing and new infrastructure projects such as the Hong Kong-Zhuhai-Macao Bridge, the Central Kowloon Route and the Tseung Kwan O-Lam Tin Tunnel. For more information on the tunnel construction industry, please refer to the section headed "Industry overview" of this prospectus. In respect of the ongoing and new infrastructure projects mentioned above, our Group had participated in one of them, being Project A of our Group, with an estimated project sum of approximately HK\$68.2 million, of which approximately HK\$30.6 million is expected to be recognised after the Track Record Period. Our Group has also submitted a tender for another one of the ongoing and new infrastructure projects mentioned above, with a contract sum of approximately HK\$13.5 million, and the remaining ongoing and new infrastructure project mentioned above has yet to kick start its invitation to tender for subcontractors.

Summary of financial information

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

SUMMARY

Highlight of combined statements of comprehensive income

	Year ended 31 December		Eight months ended 31 August	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	94,193	80,560	51,172	84,794
Cost of services	<u>(78,476)</u>	<u>(54,162)</u>	<u>(37,369)</u>	<u>(63,670)</u>
Gross profit	15,717	26,398	13,803	21,124
Other income	608	794	376	439
Administrative expenses	(6,190)	(8,443)	(5,187)	(13,923)
Equity-settled share-based payment expense	(1,201)	–	–	–
Finance costs	<u>(385)</u>	<u>(343)</u>	<u>(123)</u>	<u>(341)</u>
Profit before income tax expense	8,549	18,406	8,869	7,299
Profit and total comprehensive income for the year/period attributable to the owners of the Company	<u>6,935</u>	<u>15,170</u>	<u>7,384</u>	<u>5,043</u>

Included in the cost of services are staff costs which amounted to approximately HK\$38.9 million, HK\$33.1 million, HK\$22.7 million and HK\$41.6 million, representing approximately 49.5%, 61.2%, 60.8% and 65.4% of our total cost of services for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 respectively. Such staff costs mainly represented salaries and benefits provided to our staff who are directly involved in carrying out our site works.

Gross profit and gross profit margin

The following table sets out our Group's gross profit and gross profit margin of private sector projects and public sector projects:

	Year ended 31 December				Eight months ended 31 August			
	2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector projects	2,001	61.1	1,387	36.7	1,114	33.3	1,403	32.9
Public sector projects								
– Tunnel construction services	12,350	24.6	24,747	38.5	12,683	32.9	18,776	24.3
– Utility construction services and others	<u>1,366</u>	<u>3.4</u>	<u>264</u>	<u>2.1</u>	<u>6</u>	<u>0.1</u>	<u>945</u>	<u>29.3</u>
Total	<u>15,717</u>	16.7	<u>26,398</u>	32.8	<u>13,803</u>	27.0	<u>21,124</u>	24.9

SUMMARY

Our Group's overall gross profit amounted to approximately HK\$15.7 million, HK\$26.4 million, HK\$13.8 million and HK\$21.1 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, representing gross profit margin of 16.7%, 32.8%, 27.0% and 24.9% respectively. We were able to achieve a higher gross profit margin over the year mainly due to our participation in more public tunnel construction projects which had higher gross profit margins in general as compared to our other projects.

Our Group's gross profit margin of approximately 27.0% and 24.9% for the eight months ended 31 August 2015 and 2016 respectively was comparable due to the combined effects of (i) a decrease in the gross profit margin of our public sector projects – tunnel construction services; and (ii) an increase in the gross profit margin of our public sector projects – utilities and others.

For private sector projects, our gross profit margin of approximately 61.1% for the year ended 31 December 2014 was relatively higher as compared to our gross profit margin of approximately 36.7% for the year ended 31 December 2015 and approximately 32.9% for the eight months ended 31 August 2016. Such higher margin was mainly due to our participation in private refurbishment works projects which had higher gross profit margins during the year ended 31 December 2014.

For more details of our Group's gross profit and gross profit margin, please refer to the paragraph headed "Gross profit and gross profit margin" in the section headed "Financial information" of this prospectus.

During the Track Record Period, we participated in the Loss Making Project which our Group commenced work in the year ended 31 December 2013. The revenue recognised for the Loss Making Project was approximately HK\$32.5 million, HK\$11.7 million, HK\$9.3 million and HK\$0.9 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 respectively, whereas the respective cost recognised for the project was approximately HK\$33.5 million, HK\$11.7 million, HK\$9.3 million and HK\$0.9 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 respectively. The gross loss margin of the project was approximately 3.1% for the year ended 31 December 2014, whilst the gross profit margin of the project was nil for the year ended 31 December 2015 and the eight months ended 31 August 2015 and 2016. As a result, our participation in the Loss Making Project lowered our overall gross profit during the Track Record Period. For more details of the Loss Making Project, please refer to the paragraph headed "Major projects" in the section headed "Business" of this prospectus.

SUMMARY

Highlight of combined statements of financial position

	As at 31 December		As at 31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total non-current assets	4,026	2,974	5,984
Total current assets	25,685	42,000	48,855
Total assets	29,711	44,974	54,839
Total current liabilities	22,185	22,370	26,871
Net current assets	3,500	19,630	21,984
Total assets less current liabilities	7,526	22,604	27,968
Total equity	7,078	22,248	27,291

As at 31 December 2014, our Group recorded net current assets of approximately HK\$3.5 million. Due to the increase in our net profit for the year ended 31 December 2015, our Group's net current assets increased to approximately HK\$19.6 million as at 31 December 2015. As at 31 August 2016, our Group's net current assets increased to approximately HK\$22.0 million which is mainly attributable to the combined effects of (i) the increase in trade and other receivables from approximately HK\$37.2 million as at 31 December 2015 to approximately HK\$44.0 million as at 31 August 2016; (ii) the increase in trade and other payables from approximately HK\$8.0 million as at 31 December 2015 to approximately HK\$12.9 million as at 31 August 2016; (iii) the increase in current tax liabilities from approximately HK\$1.4 million as at 31 December 2015 to approximately HK\$3.5 million as at 31 August 2016; and (iv) the decrease in amounts due to Directors from approximately HK\$1.9 million as at 31 December 2015 to nil as at 31 August 2016.

As mentioned above, prior to the Track Record Period, our Group commenced work in the Loss Making Project and approximately HK\$6.0 million and HK\$1.0 million expected loss was recorded in the year ended 31 December 2013 and 2014 respectively. The loss was mainly attributable to the main contractor's delay in project timetable and an unexpected substantial increase in labour costs over the Track Record Period. Due to the recognition of the expected loss of approximately HK\$6.0 million in 2013, our Group recorded an accumulated loss of approximately HK\$3.1 million as at 1 January 2014.

SUMMARY

Our Group experienced a change from accumulated losses of approximately HK\$3.1 million as at 1 January 2014 to retained earnings of approximately HK\$5.0 million as at 31 December 2014. Our Group's retained earnings further increased from approximately HK\$5.0 million as at 31 December 2014 to approximately HK\$20.4 million as at 31 December 2015. Such increase was mainly attributable to the increase in profit of approximately HK\$6.9 million and HK\$15.4 million for the years ended 31 December 2014 and 2015 respectively. The increase in the profit for the years ended 31 December 2014 and 2015 was mainly due to our participation in more tunnel construction projects which had higher gross profit margins in general.

As at 31 August 2016, our Group's retained earnings increased to approximately HK\$25.4 million due to our recorded profit of approximately HK\$5.0 million during the eight months ended 31 August 2016.

Highlight of combined statements of cash flows

The following table sets out a summary of our net cash flow for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2015 and 2016.

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at the beginning of the year/period	237	265	265	318
Net cash generated from/(used in) operating activities	7,560	(3,268)	(979)	7,057
Net cash (used in)/generate from investing activities	(4,730)	(639)	389	(4,236)
Net cash (used in)/generated from financing activities	(2,802)	3,960	1,454	(9,806)
Net increase/(decrease) in cash and cash equivalents	28	53	864	(6,985)
Cash and cash equivalents at the end of the year/period	265	318	1,129	(6,667)

SUMMARY

Our Group experienced a change from a net cash generated from operating activities amounting to approximately HK\$7.6 million for the year ended 31 December 2014 to a net cash used in operating activities amounting to approximately HK\$3.3 million for the year ended 31 December 2015. Such change was mainly due to the combined effect of (i) the completion of some of our projects carried over from 2014; and (ii) the increase in tax paid of approximately HK\$2.6 million for the year ended 31 December 2015. Such decrease was partly offset by the increase in profit before income tax expenses of approximately HK\$9.9 million. For the eight months ended 31 August 2015, we recorded net cash used in operating activities of approximately HK\$1.0 million. Such amount mainly resulted from (i) an operating profit before working capital changes of approximately HK\$10.2 million; (ii) an increase in trade and other receivables of approximately HK\$4.4 million; (iii) a decrease in trade and other payables of approximately HK\$3.4 million; and (iv) a decrease in amounts due to customers for contract work of approximately HK\$3.6 million. For the eight months ended 31 August 2016, we recorded net cash generated from operating activities of approximately HK\$7.1 million and such amount mainly resulted from (i) an operating profit before working capital changes of approximately HK\$9.0 million; (ii) an increase in trade and other receivables of approximately HK\$6.8 million; and (iii) an increase in trade and other payables of approximately HK\$4.8 million.

Our net cash outflow from investing activities amounted to approximately HK\$4.7 million and HK\$0.6 million for the two years ended 31 December 2015. The decrease was mainly due to the substantial investment in plant and machinery of approximately HK\$5.0 million for our daily operations during the year ended 31 December 2014. Our net cash generated from investing activities of approximately HK\$0.4 million for the eight months ended 31 August 2015 mainly resulted from the sale of property, plant and equipment during the period. For the eight months ended 31 August 2016, we recorded net cash used in investing activities of approximately HK\$4.2 million as we purchased plant and machinery during the period.

We experienced a change from a net cash used in financing activities amounting to approximately HK\$2.8 million for the year ended 31 December 2014 to a net cash generated from financing activities amounting to approximately HK\$4.0 million for the year ended 31 December 2015. Such change was mainly due to the increase in our borrowing from GMI from approximately HK\$5.9 million as at 31 December 2014 to approximately HK\$10.9 million as at 31 December 2015. For the eight months ended 31 August 2015, we recorded net cash generated from financing activities of approximately HK\$1.5 million. During the eight months ended 31 August 2016, our Group has obtained overdraft facilities of approximately HK\$11.0 million from a bank and repaid loans to GMI. Therefore, we recorded net cash used in financing activities of approximately HK\$9.8 million.

For more details of our Group's cash flow, please refer to the paragraph headed "Cash flow" in the section headed "Financial information" of this prospectus.

SUMMARY

Key financial ratios

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

	Year ended		Eight months ended
	31 December		31 August
	2014	2015	2016
Current ratio	1.2 times	1.9 times	1.8 times
Gearing ratio	116.8%	57.5%	38.4%
Debt to equity ratio	113.1%	56.0%	24.4%
Return on total assets	23.3%	33.7%	(Note 1)
Return on equity	98.0%	68.2%	(Note 1)
Interest coverage ratio	23.2 times	54.7 times	22.4 times

Note:

1. Return on total assets/return on equity is not applicable since the recorded net profit/loss only represents the amount for the eight months ended 31 August 2016.

Our gearing ratio decreased from approximately 116.8% as at 31 December 2014 to approximately 57.5% as at 31 December 2015 and further decreased to approximately 38.4% as at 31 August 2016 mainly due to our increased equity over these periods as we recorded profit of approximately HK\$15.2 million during the year ended 31 December 2015 and approximately HK\$5.0 million during the eight months ended 31 August 2016.

RECENT DEVELOPMENT

Subsequent to the Track Record Period, for the three months ended 30 November 2016, we experienced improvements in our revenue and profit. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had secured three new projects which have a total contract value of approximately HK\$69.6 million.

SUMMARY

Our Group's overall gross profit margin for the eight months ended 31 August 2016 amounted to approximately 24.9%. Our Directors noted that for the period from 1 September 2016 to 30 November 2016, our Group's gross profit margin had improved compared to that for the eight months ended 31 August 2016, and anticipate continuous improvement as compared to the eight months end 31 August 2016 in the coming months. Notwithstanding this, our Directors anticipate that the gross profit margin for the year ended 31 December 2016 will be comparatively lower than that of approximately 32.8% for the year ended 31 December 2015. The higher gross profit margin in 2015 was mainly due to our participation in more public tunnel construction projects during the year ended 31 December 2015 which had higher gross profit margins in general; in particular two public tunnel construction projects which had an average gross profit margin of approximately 58.2% over the year gave rise to such higher gross profit margin. For further details of our Group's gross profit margins, please refer to the paragraph headed "Gross profit and gross profit margin" in the section headed "Financial Information" of this prospectus.

As far as our Directors are aware, our industry remained relatively stable after the Track Record Period and up to the date of this prospectus. There was no material adverse change in the general economic and market conditions in the industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2016

Certain estimate financial information of our Group for the year ended 31 December 2016 are set out below. These estimated financial information have been prepared on the bases set out in the section headed "Profit estimate" in Appendix III to this prospectus, and after taking into account of the Placing.

Estimated consolidated profit attributable to owners of our Company

for the year ended 31 December 2016 (*Note 1*) Not less than
HK\$17.0 million

Unaudited pro forma estimated earnings per Share (*Note 2*) Approximately HK\$0.034

Notes:

1. The bases on which the above estimate for the year ended 31 December 2016 has been prepared are summarised in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2016 and on the assumption that 500,000,000 Shares had been in issue throughout the year ended 31 December 2016.

SUMMARY

SHAREHOLDER INFORMATION

Upon completion of the Capitalisation Issue and the Placing, Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang, our Controlling Shareholders, will altogether hold 60% of the enlarged issued share capital of our Company. The Chuang Family are parties acting in concert (having the meaning ascribed to it in the Takeovers Code) and are considered to be our Controlling Shareholders by virtue of the Acting in Concert Deed. None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. Further details have been disclosed in the section headed “Relationship with our Controlling Shareholders” of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Placing are estimated to be approximately HK\$43.5 million assuming the Placing Price of HK\$0.52 per Placing Share (being the mid-price of the Placing Price range) and 125,000,000 Placing Shares being offered under the Placing and after deducting the underwriting commission and expenses relating to the Placing.

We intend to use such net proceeds from the Placing as follows:

- approximately HK\$16.0 million (approximately 36.8% of the net proceeds) will be used to purchase machinery for our tunnel construction site operations as well as to support our marine construction works projects which we intend to extend into;
- approximately HK\$12.1 million (approximately 27.7% of the net proceeds) will be used to recruit additional prospective and/or experienced employees to increase our capacity in order to tender for more projects and strengthen our reputation as an integrated tunnel construction services provider as well as extending into high-value construction services, such as marine construction works;
- approximately HK\$9.0 million (approximately 20.7% of the net proceeds) will be used for repayment of overdraft facilities from a bank of which interest is charged at the bank’s prime rate. The utilised overdraft facilities with no maturity date is repayable on demand by the bank. The capital obtained from the overdraft facilities was used for our Group’s general working capital;
- approximately HK\$1.2 million (approximately 2.8% of the net proceeds) will be used for the rental expense of our newly rented office space which is to cope with our business plan to expand our local business operations and approximately HK\$1.1 million (approximately 2.5% of the net proceeds) will be used to refurbish and decorate the new office space;
- approximately HK\$1.2 million (approximately 2.8% of the net proceeds) will be used to upgrade our information technology and project management systems; and
- the remaining amount of approximately HK\$2.9 million (approximately 6.7% of the net proceeds) will be used to provide funding for our working capital and other general corporate purposes.

SUMMARY

Implementation plans

Set out below is the expected timeline from the Latest Practicable Date to 31 December 2019 for our Group to deploy the abovementioned net proceeds to be raised from the Placing, in accordance with the implementation of our future plans.

	Six months ending						Total
	From the Latest Practicable Date to		30 June		31 December		
	30 June 2017	31 December 2017	2018	2018	2019	2019	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Purchase of machinery	8.0	–	8.0	–	–	–	16.0
Repayment of overdraft facilities from a bank	9.0	–	–	–	–	–	9.0
Recruiting new staff	2.4	4.4	3.7	1.6	–	–	12.1
Office expansion and refurbishment	1.5	0.7	0.1	–	–	–	2.3
Enhancing our information technology and project management systems	1.2	–	–	–	–	–	1.2
Total	22.1	5.1	11.8	1.6	–	–	40.6

For further details, please refer to the paragraph headed “Use of proceeds” in the section headed “Future plans and use of proceeds” of this prospectus.

RISK FACTORS

The key risks which we may face include, amongst others, (i) our Group is reliant on the availability of public sector civil engineering projects in Hong Kong; (ii) any failure of our Group to secure tender contracts would affect our operations and financial performance; (iii) if our work is inadequate and/or we make material errors during our operations, both our reputation and financial position may be adversely affected; (iv) our pricing is determined based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our Group’s financial results; (v) any failure, damage or loss of our machinery may adversely affect our operations and failure to invest in suitable machinery may adversely affect our financial performance; (vi) any increase in cost of construction materials and labour, and the availability of construction materials and labour may adversely affect our competitiveness and profitability; and (vii) our Group is exposed to delays in the approval of public infrastructure budget or changes in government policies. A detailed discussion of the aforementioned risks and other risks is set out in the section headed “Risk factors” of this prospectus.

DIVIDEND

During the Track Record Period, no dividend was declared. After the completion of the Placing, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Directors and approval of our Shareholders. Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

SUMMARY

IMPACT OF LISTING EXPENSES

Our Directors are of the view that the listing expenses in relation to the Listing would have an impact on the financial results of our Group for the year ended 31 December 2016 and the year ending 2017. The estimated listing expenses are approximately HK\$21.5 million, of which approximately HK\$7.6 million is directly attributable to the issue of new Shares under the Placing and is expected to be accounted for as a deduction from equity. During the two years ended 31 December 2015 and the eight months ended 31 August 2016, our Group had recognised listing expenses of approximately nil, HK\$0.7 million and HK\$6.3 million respectively, in the combined statement of comprehensive income. The remaining listing expenses of approximately HK\$1.3 million and HK\$5.6 million are expected to be charged to the combined statement of comprehensive income of our Group for the remaining four months for the year ended 31 December 2016 and year ending 31 December 2017 respectively.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the Company's financial or trading position or prospects since 31 August 2016, being the date of the Company's last audited financial statement as set out in Appendix I to this prospectus, up to the date of this prospectus.

STATISTICS OF THE PLACING

	Based on the Placing Price of HK\$0.50 per Placing Share	Based on the Placing Price of HK\$0.54 per Placing Share
Market capitalisation (<i>Note 1</i>)	HK\$250 million	HK\$270 million
Unaudited pro forma adjusted combined net tangible assets per Share (<i>Note 2</i>)	HK\$0.15	HK\$0.16

Notes:

1. The calculation of market capitalisation at the Placing Price is based on 500,000,000 Share expected to be in issue immediately following completion of the Placing and the Capitalisation Issue.
2. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustment for the estimated net proceeds from the Placing payable to our Company of approximately HK\$48.1 million based on the Placing Price of HK\$0.50 per Placing Share and approximately HK\$52.9 million based on the Placing Price of HK\$0.54 per Placing Share respectively and on the basis that a total of 500,000,000 Shares were in issue (including Shares in issue at the date of this prospectus, and those Shares to be issued under the Capitalisation Issue and the Placing).

DEFINITIONS

In this prospectus, the following expressions have the following meanings, unless the context otherwise requires:

“Acting in Concert Deed”	the acting in concert deed dated 21 March 2016 entered into by Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang, particulars of which are summarised under the paragraph headed “Acting in Concert Deed” in the section headed “History and Reorganisation” of this prospectus
“Altus Capital” or the “Sponsor”	Altus Capital Limited, a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, appointed as the sponsor to the Listing
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on 10 February 2017 with effect from Listing, and as amended from time to time, a summary of which is set out under the paragraph headed “2. Articles of Association” in Appendix IV to this prospectus
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board” or “our Board”	the board of Directors from time to time or a duly authorised committee thereof
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the sum standing to the credit of the share premium account of our Company as referred to under the paragraph headed “1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017” in Appendix V to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chuang Family”	Mr. Stephen Chuang, Mrs. Chuang, Mr. Boris Chuang and Ms. Chuang, all of who are our Controlling Shareholders
“close associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Islands Companies Law”	the Companies Law of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies (Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company”, “the Company” or “our Company”	GME Group Holdings Limited (駿傑集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 18 January 2016
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules and, in the context of this prospectus, means the members of the Chuang Family, namely, Mr. Stephen Chuang, Mrs. Chuang, Mr. Boris Chuang and Ms. Chuang
“core connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 10 February 2017 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries) as further detailed under the paragraph headed “8. Other information – D. Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 10 February 2017 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), particulars of which are summarised under the paragraph headed “Deed of Non-competition” in the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company
“Euromonitor”	Euromonitor International Limited, an independent market research agency
“Euromonitor Report”	a market research report commissioned by our Group and prepared by Euromonitor on the overview of the tunnel construction service industry in Hong Kong in which our Group operates
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“GMEBVI”	GME International Limited, a company incorporated in the BVI with limited liability on 23 February 2016 and a direct wholly-owned subsidiary of our Company
“GMEHK”	Good Mind Engineering Limited (駿傑工程有限公司), a company incorporated in Hong Kong with limited liability on 22 March 1994 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“GMEHK Share(s)”	ordinary share(s) in the share capital of GMEHK

DEFINITIONS

“GME Shanghai”	駿傑(上海)建築工程諮詢有限公司(Good Mind Engineering Ltd.*), a company incorporated in the PRC with limited liability on 22 May 2002 and dissolved on 22 February 2016, and a direct wholly-owned subsidiary of GMEHK prior to 27 October 2015
“GMI”	GME International Company Limited (駿傑環球有限公司), a company incorporated in Hong Kong with limited liability on 20 March 2012 with 51% of its interest being held by Mr. Boris Chuang, 34% by Mrs. Chuang, and 15% by Mr. Ng, which is a connected person of our Company
“GMT”	GME International Trading Company Limited (駿傑國際貿易有限公司), formerly known as GME Trading Limited, a company incorporated in Hong Kong with limited liability on 15 June 2005 with 30% of its interest being held by Mr. Boris Chuang, 20% by Ms. Chuang, 20% by Mrs. Chuang, 15% by Mr. Stephen Chuang, and 15% by Mr. Ng, which is a connected person of our Company
“Group”, “our Group”, “we”, “us” or “our”	our Company together with our subsidiaries or, where the context requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries and the businesses carried on by them at the relevant time
“HKAS”	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited

DEFINITIONS

“Hong Kong Government”	the Government of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) independent of and not connected (within the meaning of the GEM Listing Rules) with any of the Directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of our respective associates within the meanings of the GEM Listing Rules
“Latest Practicable Date”	7 February 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing”	the listing of our Shares on GEM by way of the Placing
“Listing Department”	the listing department of the Stock Exchange
“Listing Date”	the date, expected to be on or about 22 February 2017, on which our Shares are first listed and from which dealings therein are permitted to take place on GEM
“Loss Making Project”	a loss making public structural works project awarded to our Group which commenced in 2013. This was the only loss making project during the Track Record Period in which our Group participated. The loss was mainly attributable to the main contractor’s delay in project timetable and a substantial increase in labour costs over the Track Record Period
“Memorandum”, “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on 10 February 2017 with effect from Listing and as amended from time to time, a summary of which is set out under the paragraph headed “1. Memorandum of Association” in Appendix IV to this prospectus
“Mr. Boris Chuang”	Mr. Chuang Chun Ngok Boris (莊峻岳), an executive Director, chairman of our Board, and one of our Controlling Shareholders. He is the son of Mr. Stephen Chuang and Mrs. Chuang and the brother of Ms. Chuang

DEFINITIONS

“Mr. Stephen Chuang”	Mr. Chuang Wei Chu (莊偉駒), an executive Director, one of our Controlling Shareholders, the spouse of Mrs. Chuang and the father of Mr. Boris Chuang and Ms. Chuang
“Mrs. Chuang”	Ms. To Yin Ping (杜燕冰), one of our Controlling Shareholders, the spouse of Mr. Stephen Chuang and the mother of Mr. Boris Chuang and Ms. Chuang
“Ms. Chuang”	Ms. Chuang Yau Ka (莊柔嘉), one of our Controlling Shareholders, the daughter of Mr. Stephen Chuang and Mrs. Chuang and the sister of Mr. Boris Chuang
“Mr. Ho”	Mr. Ho John Kwun Fung (何冠鋒), a member of our senior management and an individual Shareholder
“Mr. Lo”	Mr. Lo Tak Leung (盧德良), an individual Shareholder
“Mr. Ng”	Mr. Ng Kwok Lun (吳國倫), an individual Shareholder, a former director of our Company (from 16 February 2016 to 11 April 2016), GMEBVI (from its date of incorporation to 11 April 2016) and GMEHK (from 16 January 2008 to 11 April 2016). He also held directorships in GMI and GMT from which he resigned on 11 November 2016. Mr. Ng had tendered his resignation letter to resign from his respective positions in our Group on 11 November 2016 and his last day of employment was 10 December 2016
“Placing”	the conditional placing of the Placing Shares by the Underwriter on behalf of our Company with professional, institutional and other investors in Hong Kong for cash at the Placing Price, as further described in the section headed “Structure and conditions of the Placing” of this prospectus
“Placing Price”	the final price per Placing Share which will not be more than HK\$0.54 per Placing Share and is expected to be not less than HK\$0.50 per Placing Share (exclusive of brokerage of 1.0%, the SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), such price to be agreed upon by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on or before the Price Determination Date

DEFINITIONS

“Placing Shares”	the 125,000,000 new Shares being offered by our Company for subscription at the Placing Price under the Placing
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into by the Sole Lead Manager (for itself and on behalf of the Underwriter) and us on the Price Determination Date to determine the Placing Price
“Price Determination Date”	the date, expected to be on or about 16 February 2017 or such other date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter), on which the Placing Price is fixed for the purpose of the Placing
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are described under the paragraph headed “Reorganisation” in the section headed “History and Reorganisation” of this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s) from time to time

DEFINITIONS

“Sole Lead Manager”	Pacific Foundation Securities Limited, a corporation licensed by the SFC to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO, being the sole lead manager to the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two financial years ended 31 December 2015 and the eight months ended 31 August 2016
“Underwriter”	the underwriter of the Placing named under the paragraph headed “Underwriter” in the section headed “Underwriting” of this prospectus
“Underwriting Agreement”	the underwriting agreement dated 13 February 2017 entered into amongst, our Company, our executive Directors, our Controlling Shareholders, the Sponsor, Pacific Foundation Securities Limited as the Sole Lead Manager and the Underwriter relating to the Placing, particulars of which are summarised in the section headed “Underwriting” of this prospectus
“HK\$” or “Hong Kong dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“%”	per cent.

Certain monetary amount 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 identification purpose only

GLOSSARY OF TECHNICAL TERMS

The following sets out a glossary list which contains certain terms and definitions used in this prospectus in connection to our Group's business and operations. The terms and their meanings may not correspond to the standard industry meanings, calculation or usage of those terms.

“advanced works”	the preparatory works of stabilising and reinforcing slopes around the tunnel prior to the tunnel construction works
“approved contractor(s)”	contractor(s) who are approved for carrying out public works under a list issued by the Development Bureau of the Hong Kong Government comprising contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, R&D”, “Site Formation” and “Waterworks”
“bills of quantities” or “BQ”	a list of items included in the civil engineering contract, providing description, quantity and the unit price of the work to be performed, which provides a means of valuing to the civil engineering work performed
“Census and Statistics Department”	Census and Statistics Department of the Hong Kong Government
“Certificate of Certified Worker for confined space”	a mandatory training required for all personnel entering confined construction sites in Hong Kong under section 4(1) of the Factories and Industrial Undertakings (Confined Spaces) Regulation
“civil engineering”	the design and/or construction of structures, infrastructures, airports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or aforementioned content. Excluded from “civil engineering” are (i) residential, public and office buildings; and (ii) public amenities and facilities which are largely architecturally driven

GLOSSARY OF TECHNICAL TERMS

“Construction Industry Council”	a statutory body to convey construction industry’s needs and aspirations to the Hong Kong Government, and to act as a communication channel for the Hong Kong Government to solicit advice on all construction-related matters to the construction industry
“Construction Industry Safety Training Certificate”	a mandatory training required for all personnel entering construction sites in Hong Kong under section 6BA(2) of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)
“contra-charge”	the expenses deducted from the customer’s payment to the subcontractor in relation to the various expenses, including the purchase of regulated construction materials, incurred by the customer on behalf of the subcontractor
“contract value”	the original agreed value of the construction works specified in the contract between the customer and the subcontractor
“defects liability period”	a period in which the service provider is liable to rectify works defects or imperfections arising from its provision of service
“drill and blast”	a method involving drilling holes into rock and soil, and through controlled use of explosives and other blasting techniques to break rock and soil for excavation
“drill and break”	a method involving drilling holes into rock and soil, and remove rock and soil through excavation machinery
“effluent tunnel”	tunnels designed and constructed for the purpose of liquid or sewage discharge into the sea, usually form part of a larger sewage treatment system
“general specification for civil engineering works” or “GS”	a standard for quality of materials, level of workmanship, testing methods and accepting criteria for civil engineering works undertaken for the Hong Kong Government

GLOSSARY OF TECHNICAL TERMS

“ISO 9001:2008”	ISO 9001:2008 is an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO”	an acronym for a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“main contractor(s)” or “principal contractor(s)”	one who enters into a contract directly with an owner or occupier of property, or with an agent or authorised architect, surveyor, property developer, or civil, municipal or structural engineer of such owner or occupier, to perform any work for each owner or occupier, and to assume full responsibility for the satisfactory completion of the construction works
“method statement”	a document detailing how a particular task or activity will be carried out, including relevant foreseeable risks and hazards and precautions to be taken
“private sector projects”	works contracts that are not public sector projects
“project sum”	the actual or estimated revenue recognisable for the construction works involved in the project
“public sector projects”	works contracts that originate from the Hong Kong Government or its statutory bodies and corporations
“R&D works”	roads & drainage works
“recurring customers”	customers who we have worked for on other projects in the past within a period of 24 months from the current engagement

GLOSSARY OF TECHNICAL TERMS

“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“subcontractor(s)”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction
“Subcontractor Registration Scheme”	the subcontractor registration scheme managed by the Construction Industry Council
“tender(s)”	a proposal submitted to the customers outlining the estimated fees and cost, method of construction and other relevant information in relation to the project
“tunnel construction works”	construction of underground enclosed tunnels, shafts, chambers, passageways and other related underground facilities
“turnkey project(s)”	a type of project that is constructed so that it could be present or sold to customers as a complete product, for example a structural building outfitted with all equipment and utilities required to use the building
“utility construction and refurbishment works and others”	construction and refurbishment of underground public utility works, and other works including structural works and construction of service buildings and support structures
“variation order(s)”	an order issued by our customers alternating the original scope of works in the form of addition, substitution or omission from the original scope of works

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “project”, “aim”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “propose”, “consider”, “seek”, “should”, “would”, “will”, or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate;
- expansion, consolidation or other trends in the industry in which we operate;
- regulations and restrictions that may affect the industry in which we operate;
- our strategies, plans, objectives and goals;
- macroeconomic measures taken by the Hong Kong Government to manage economic growth;
- our business prospects;
- changes in general political and economic conditions in Hong Kong that may be detrimental to the industry in which we operate;
- competition for our business activities and the actions and development of our competitors;

FORWARD-LOOKING STATEMENTS

- financial conditions and performance of our Group;
- our dividend policy;
- changes to our expansion plans and use of capital expenditures;
- realisation of the benefits of our future plans and strategies; and
- other factors beyond our Group's control.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Directors, our Controlling Shareholders, the Sponsor, the Sole Lead Manager, the Underwriter, any other party involved in the Placing or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed in the section headed "Risk factors" of this prospectus and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to cautionary statements set out in this section.

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

RISK FACTORS

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

Our Group believes that there are certain risks involved in our business and operations. They can be classified into (i) risks relating to the business and operations of our Group; (ii) risks relating to the industry; (iii) risks relating to conditions in Hong Kong; (iv) risks relating to the Placing and Share performance; and (v) risks relating to this prospectus.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

Cash inflows and outflows in relation to our construction projects may be irregular and may affect our net cash flow position

During the Track Record Period, our cash flows generated from operating activities mainly represented our Group's revenue from civil engineering projects. For the two years ended 31 December 2015 and the eight months ended 31 August 2016, our Group recorded a net operating cash inflow of approximately HK\$7.6 million, a net operating cash outflow of approximately HK\$3.3 million and a net operating cash inflow of approximately HK\$7.1 million respectively.

Our Group may experience net cash outflows to pay certain operating expenditures for construction projects in which the respective progress payments may not be received for the same periods. Progress payments will normally be paid after our construction works have been certified by our customers. Therefore, the cash inflow and outflow for our projects may fluctuate on a year-to-year or quarter-to-quarter basis and our cash flow position may be adversely affected.

Our Group is reliant on the availability of public sector civil engineering projects in Hong Kong

Our Group has relied and will continue to focus on public sector civil engineering projects in Hong Kong which by their nature are procured by a limited number of main contractors. For the two years ended 31 December 2015 and the eight months ended 31 August 2016, our revenue attributable to public sector projects amounted to approximately HK\$90.9 million, HK\$76.8 million and HK\$80.5 million respectively, representing approximately 96.5%, 95.3% and 95.0% of our total revenue.

RISK FACTORS

Our results of operations in relation to our business are affected by various factors, including but not limited to (i) our ability to continue to secure public sector civil engineering projects from our customers; (ii) government policies in relation to infrastructure and civil engineering projects; and (iii) the general economic conditions in Hong Kong. There is no assurance that the number of public sector civil engineering projects will not decrease in the future. In the event that the availability of public sector civil engineering projects decreases, our business and our results of operations may be adversely and materially affected.

Our civil engineering projects are non-recurrent in nature. As such, there is no guarantee that we will be able to secure new business from past or existing customers on a recurring basis. Accordingly, the number and scale of projects, and the amount of revenue we are able to derive therefrom may vary significantly from period to period, therefore it may be difficult to forecast the volume of future businesses.

Our Group has a concentrated client base and any decrease in the number of projects with our major customers would adversely affect our operations and financial performance

During the Track Record Period, our revenue was mainly derived from a limited number of customers. Our top five customers accounted for approximately 96.6%, 94.0% and 99.3% of our revenue for the two years ended 31 December 2015 and the eight months ended 31 August 2016 respectively. For the two years ended 31 December 2015 and the eight months ended 31 August 2016, our largest customer accounted for approximately 37.2%, 33.7% and 58.3% of our revenue respectively.

Our Group did not enter into any long-term agreement with any of our major customers during the Track Record Period and up to the Latest Practicable Date. As such, there is no guarantee that we will be able to secure new business from them or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects awarded by our major customers, and we fail to secure suitable projects as replacement, our financial performance would be adversely affected. In addition, if any of our customers experience any liquidity problem, it may result in delay or default of progress payments to us, which in turn would have an adverse impact on our cash flow and financial position.

RISK FACTORS

Any failure of our Group to secure tender contracts would affect our operations and financial performance

All of our revenue was derived from tendered contracts during the Track Record Period and up to the Latest Practicable Date. We generally submit tenders for new contracts after evaluating our own capacity and capability. The contract period of our civil engineering projects generally ranges from approximately one year to two years. There is no assurance that (i) we would be invited to the tendering process for new projects; and (ii) our submitted tenders would be selected by customers. In the event that we fail to secure new tender contracts in the competitive tendering process, our results of operations would be adversely affected.

If our work is inadequate and/or we make material errors during our operations, both our reputation and financial position may be adversely affected

Our Group may be involved in claims and investigations with our customers, relevant regulatory bodies, subcontractors, staff, or other parties relating to disputes arising from our operations. The consequences of these disputes may damage our reputation and deplete our resources. Significant costs may have to be incurred in defending ourselves in such proceedings, which can be time-consuming. If we are not successful in defending ourselves in such proceedings, we may be liable for compensation for damages, the amount of which may be substantial.

As our business relies heavily on reputation, any damage to our reputation may adversely affect our ability to secure new projects and/or obtain new customers. This decrease in transaction flow may materially and adversely affect our operations and financial position.

Our pricing is determined based on the estimated time and costs to be involved in a project which may deviate from the actual time and costs involved and any material inaccurate estimation may adversely affect our Group's financial results.

Our Group needs to estimate the time and costs to be involved in a project in order to determine our fee. There is no assurance that the actual amount of time and costs involved would not exceed our estimation during our performance of the project. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions such as limited spaces that impeded from the use of certain machinery or unexpected thickness, depth, composition, or size of rock to be excavated, unforeseen delay in project timetable by our customers and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs to be involved in a project which cannot be mitigated by any price negotiation with our customers may adversely affect our profit margin and results of our operations.

RISK FACTORS

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

Depending on the nature of works and particular licence required, our Group may subcontract our works to other subcontractors. For the two years ended 31 December 2015 and the eight months ended 31 August 2016, subcontracting charges incurred by us amounted to approximately HK\$0.5 million, HK\$2.4 million and HK\$1.3 million respectively. We evaluate our subcontractors taking into account their technical capabilities, track records, labour resources, and pricing. However, there is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may experience deterioration in the quality or delayed delivery of our work, incurring additional costs due to the delays, or be subjected to liability under the relevant contracts with our customers for our subcontractors' unsatisfactory performances. Such events could adversely impact our profitability, financial performance and reputation.

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

Our business is dependent on the continuing efforts of our key management personnel, and there is no assurance that we can retain such key management personnel

Our Directors are of the view that the contributions and experiences of our key executives contribute to our growth and success. Further details of our Directors and senior management have been disclosed in the section headed "Directors, senior management and employees" of this prospectus.

Our key personnel and management talents, efforts and expertise in the underground construction industry are crucial to our operations and financial performance. There could be an adverse impact on our operations if any of our executive Directors or senior management terminates his service agreement with us and appropriate persons could not be found to replace them. There is no assurance that we will be able to recruit and retain capable staff or that such staff will not resign in the future.

We may be involved in disputes or legal proceedings as a result of non-compliance with statutory regulations

Non-compliance with the statutory regulations may lead us to be subjected to legal proceedings or unfavourable decrees that may result in liabilities. Our Group may also be involved in disputes, legal proceedings in relation to any act of negligence, error or omission committed by our employees and/or any delay in the completion of our projects.

RISK FACTORS

The occurrence of any of the above may have material adverse impact on our business prospects, as well as our financial and operational position.

Our Group faces risks in relation to the collectability of our retention receivables

A portion (ranging from 5% to 10%) of the payment from our customers may be withheld by them as retention money depending on the agreement with the individual customer and there can be no assurance that such retention money will be released to us by our customers on a timely basis after project completion. As at 31 December 2014 and 2015 and 31 August 2016, we recorded retention receivables (net of impairment) of approximately HK\$8.1 million, HK\$11.3 million and HK\$14.9 million respectively. Any difficulty in collecting our retention receivables on a timely basis due to reasons such as delay in completion of the relevant public or private sector works (where release of the retention receivables is subject to completion of the relevant works) or the quality of our services could adversely affect our cash flows and financial position.

Our insurance policies may not be sufficient to cover all liabilities and our insurance premium may increase from time to time

Our Group has maintained insurance policies with coverage against, amongst other things, (i) liability for third party bodily injury occurred on our office premises; (ii) loss or damage of our site equipment; and (iii) third-party liability in relation to the use of our vehicles. In addition, we have taken out insurance policies for private sector projects to protect ourselves from liabilities arising from such projects. For public sector projects, the relevant contracts typically provide that our Group will be covered by our main contractor's insurance policies for any potential liability relating to employee compensation claims and personal injury claims in respect of or in consequence to any accident or injury to any of our employees occurring as a result of executing the works under the relevant projects. There is no assurance that potential losses, damages or liabilities suffered by our Group can sufficiently be covered by such insurance policies, nor can we control any reduction or limitation of insurance coverage by insurers upon the expiry of current policies. To the extent that we are not covered by the insurance policies, our financial position may be adversely affected.

We also cannot guarantee that we will not be required by law or our customers to obtain additional insurance coverage or our insurance premiums will not increase. Any significant increase in insurance costs including but not limited to any increase in insurance premiums, or any reduction in coverage in the future, may materially and adversely affect our business operations and financial results.

RISK FACTORS

Any failure, damage or loss of our machinery may adversely affect our operations and failure to invest in suitable machinery may adversely affect our financial performance

There is no assurance that our machinery and equipment will not be damaged or lost as a result of, amongst other things, improper operations, accidents, fire, adverse weather conditions, theft or robbery. In addition, machinery may break down or fail to function normally due to wear and tear, mechanical or other issues. If any failed, damaged or lost machinery or equipment may be repaired and/or replaced in a timely manner, our operations and financial performance could be adversely affected.

In addition, market developments in and demand for different underground construction techniques and different types of machinery or equipment may change continuously. If we fail to remain attentive to and invest in suitable machinery to cope with any latest development in such market trends or demands and to cater for different needs and requirements of different customers, our overall competitiveness and thus our financial performance may be adversely affected.

Our historical financial and operating results may not be a reliable indicator of our future performance which may vary from period to period and we may not be able to achieve and sustain the historical level of revenue and profitability

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our financial results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, market sentiment, regulations pertaining to the underground construction industry in Hong Kong and our ability to secure new business in the future. Our profit margin may also vary from project to project due to factors such as the complexity and size of the project and our ability to control costs pertaining to the projects. There is no assurance that our profit margin will remain similar to the level that we achieved in the past.

Any increase in cost of construction materials and labour, and the availability of construction materials and labour may adversely affect our competitiveness and profitability

There is no assurance that the supply of construction materials and the cost of construction materials will be stable. If there is a significant increase in the cost of construction materials subsequent to the entering into of contracts with our customers and we fail to substitute the construction materials with other lower cost alternatives, our construction material costs will increase and thus lower our profitability. Moreover, if we fail to obtain sufficient construction materials for our construction projects, we may not be able to complete our projects in accordance with the agreed schedule and this may affect our reputation and in turn may adversely affect our financial performance.

RISK FACTORS

In addition, the supply of labour and average labour costs may not be stable. If there is a significant increase in the costs of labour and we have to retain our labour by increasing their wages, our labour cost will increase and thus lower our profitability. On the other hand, if we fail to retain our existing labour or recruit sufficient labour in a timely manner, we may not be able to complete our projects on schedule and may adversely affect our competitiveness and may incur losses.

During the Track Record Period and up to the Latest Practicable date, there was one loss making project. Such loss was mainly attributable to the main contractor's delayed project timetable and a substantial increase in labour costs over the Track Record Period. In accordance with HKAS 11 Construction Contracts, as we considered it was probable that the total contract costs will exceed the total contract revenue upon the completion of the Loss Making Project, we recognised an expected loss of approximately HK\$6.0 million and HK\$1.0 million during the years ended 31 December 2013 and 2014 respectively. In line with HKAS 11 Construction Contracts having recognised such expected losses in the respective years above, our profit for the years ended 31 December 2014, 2015 and 2016 was adjusted by reversal of expected losses (reversing the actual incurred losses which were already recognised in 2013 or 2014). As this Loss Making Project had been completed during the eight months ended 31 August 2016, reversal of expected loss in relation to the Loss Making Project would not recur in the future. For more details about the expected loss, please refer to the paragraph headed "Expected loss recognised" in the section headed "Financial information" of this prospectus.

Our Group faces risks of damaging various underground services utilities and other inherent project risks

Our tunnel construction operations usually occur underground, where services utilities including water supply network, electric cables and gas pipes are laid. Damages to those services utilities may occur during our excavation work underground, leaving our Group liable to the costs for repairing such damaged services utilities.

Our Group may also face difficult and uncertain ground conditions during our operations underground which may not have been expected at the beginning of a project. Such difficult and uncertain ground conditions may increase the difficulty of our work and incur a higher cost for the project accordingly. For contracts with a fixed contract sum, our Group may have to bear the increased cost which would affect our profitability accordingly.

RISK FACTORS

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

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

We are exposed to interest rate risk which is unhedged and may affect our cash flow

As at 31 December 2015, our Group's borrowing from GMI was approximately HK\$10.9 million which bore interest at 5.25% per annum. During the eight months ended 31 August 2016, our Group has obtained overdraft facilities of HK\$11.0 million and a lease facility of HK\$2.5 million from a bank, and no longer borrows from GMI for our working capital requirements. As at 31 August 2016, our Group's utilised overdraft facility was approximately HK\$10.5 million where bore interest at 5.25% per annum. Our Group has not hedged against interest rate risks. Should there be an increase in interest rate, our interest expenses may increase and our cash flows and profitability may be adversely affected.

RISKS RELATING TO THE INDUSTRY

The industry may face the issue of periodic labour shortage

The construction industry, including the underground construction industry, in Hong Kong may face the issue of periodic labour shortage due to insufficient number of workers available.

If our Group is unable to recruit or retain sufficient workers or fail to effectively manage our staff costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

RISK FACTORS

Personal injuries may occur during the course of performing our works

In the course of our operations, we require our employees to adhere to and implement all the safety measures and procedures as stipulated in our Company's policy manual. Nevertheless, we cannot guarantee that there will be no violation of rules, laws or regulations by our employees or our subcontractors. For the year ended 31 December 2014, our Group's industrial accident rate per 1,000 workers of approximately 46.5 was higher than the rate of approximately 41.9 of the construction industry in Hong Kong for the same year. During the Track Record Period and up to the Latest Practicable Date, settled material litigations against our Group in relation to our employees' work injury accidents amounted to approximately HK\$4.3 million (of which approximately HK\$4.2 million was fully covered by relevant insurance policy of the main contractor and HK\$0.1 million was settled by GMEHK). For more details, please refer to the paragraphs headed "12. Health and work safety" and "18. Litigation and potential claims" in the section headed "Business" of this prospectus. In the opinion of our Directors, the possibility of the outflow of resources required in settling claims, if any, are usually covered by insurance maintained by relevant main contractors. Therefore, no provision had been made as the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of our Group. However there is no certainty that such arrangement with main contractors will not change in future.

Failure to implement safety measures on our work sites may lead to the occurrence of personal injuries, property damage or fatal accidents, which may adversely affect our reputation and our financial position to the extent not covered by insurance.

We are exposed to environmental liability

Our business is subject to environmental regulations in Hong Kong. For more details, please refer to the paragraph headed "Environmental protection" in the section headed "Regulatory overview" of this prospectus. Such regulations may be revised by the Hong Kong Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

RISKS RELATING TO CONDITIONS IN HONG KONG

Our Group is exposed to delays in the approval of public infrastructure budget or changes in government policies

Our business is subject to the Hong Kong Government's budgeting process on public infrastructure and construction projects. The budgeting process on public infrastructure and construction projects may be lengthened and the expected timetable of projects may be delayed. As a result, the availability of construction projects may decrease owing to the decrease in the available funding of public sector projects in Hong Kong. The Hong Kong Government's policy and public spending patterns on the civil engineering construction industry may also affect the availability of construction projects in Hong Kong.

RISK FACTORS

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

Adverse weather conditions, natural disasters, potential wars, terrorist attacks, riots, epidemics and other disasters which are beyond our control may reduce the number of workdays and therefore hinder our Group's operations and may incur additional operational costs. These events may also materially and adversely affect the economic condition in Hong Kong and in turn our business and financial results. Adverse weather conditions, natural disasters, potential wars, terrorist attacks and riots may cause damage or disruption to us, and to our employees, customers and markets or may cause material economic downturn in the affected areas, which may materially and adversely affect our revenue, overall operating results and financial conditions. Potential wars or terrorist attacks may also cause uncertainties to the economic condition of Hong Kong. In addition, Hong Kong has in recent years come across different types of epidemics (i.e. severe acute respiratory syndrome), which have caused various degrees of damage to the economy in Hong Kong and, in turn, the industry which our Group operates in. If an epidemic outbreak occurs in Hong Kong, the economy of Hong Kong may be materially and adversely affected, which may in turn affect the results of our operations.

Instability of the political and economic environment in Hong Kong may affect our business and financial positions

Our Group operates solely in Hong Kong and we derived all our income in Hong Kong during the Track Record Period. Accordingly, our business, financial results and prospects are affected by government policies, political environment, economic and legal development in Hong Kong. In particular, events such as demonstrations and protests may directly and adversely affect our financial and operational positions.

RISKS RELATING TO THE PLACING AND SHARE PERFORMANCE

Risk of marketability and possible price and trading volatility of the Shares

The Shares have not been traded in any open market before completion of the Placing. The Placing Price is the result of negotiations between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter), and may not serve as an indicator of the price of the Shares traded on GEM in the future. There is no assurance that an active trading market of the Shares will develop upon Listing or if it does develop, that it may be sustained for any period of time after Listing. Upon Listing, the transaction volume and market price of the Shares may be affected by various factors, including the revenue, profitability and cash flow of our Company, change of senior management personnel of our Company, strategic alliance and/or acquisition, development of GEM, general economic conditions and other factors. All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

RISK FACTORS

Risk of dilution of the Shareholders' equity interests

Our Group require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issue of new Shares or other equity linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted.

Risk of future sales of Shares by existing Shareholders

There is no assurance that our substantial shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period. Our Group cannot predict the effect, if any, that any future sales of the Shares by any substantial shareholders or Controlling Shareholders may have on the market price of the Shares. Sale of a substantial amount of our Shares by any of them, or the market perception that such sale may occur, could materially and adversely affect the prevailing market price of the Shares.

Our Controlling Shareholders have voluntarily undertaken to our Company, the Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriter) under the Underwriting Agreement that any Shares held by them will be subject to lock-up for a certain period after Listing in addition to the requirement under the GEM Listing Rules, unless with the prior written consent from the Sole Lead Manager (for further details, please refer to the paragraph headed "Undertakings" in the section headed "Underwriting" of this prospectus). In the event that such consent is granted from the Sole Lead Manager without recommendation of the independent non-executive Directors and the approval of the independent Shareholders in such regard, certain Shares held by our Controlling Shareholders will be tradable in the market. Sales of substantial amount of Shares in the public market by our Controlling Shareholders or the perception that such sales could occur, could adversely affect the market price of our Shares.

Prior dividend distributions are not an indication of our future dividend policy and we may not be able to pay any dividends on our Shares

Whether dividends will be distributed and the amount of dividends to be paid will depend upon, amongst other things, our profitability, financial conditions, business development requirements, future prospects and cash requirements of our Group. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, amongst other things, our constitutional documents and the Cayman Islands law in this prospectus. For further details of our future dividend policy, please refer to the paragraph headed "Dividend policy" in the section headed "Financial information" of this prospectus.

RISK FACTORS

Termination of the Underwriting Agreement

Prospective investors of the Placing Shares should note that the Underwriter are entitled to terminate their obligation under the Underwriting Agreement when the Sole Lead Manager (for itself and on behalf of the Underwriter) give notice in writing to our Company upon the occurrence of any of the events stated under the paragraph headed “Grounds for termination” in the section headed “Underwriting” of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any acts of God, wars, riots, public disorder, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs. Should the Sole Lead Manager (for itself and on behalf of the Underwriter) exercise its rights and terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

Minority shareholders protection under the laws of the Cayman Islands

Prospective investors may experience difficulties in enforcing their shareholder rights because our Company is incorporated in the Cayman Islands, and the laws of the Cayman Islands relating to minority shareholder protection may be different from the laws of Hong Kong and other jurisdictions. Our Company is an exempted company incorporated in the Cayman Islands with limited liability.

Our Company’s corporate affairs are governed by our Memorandum and Articles of Association, the Companies Law and the common law of the Cayman Islands. This may mean that the remedies available to our Company’s minority shareholders may be different from those that would have under the laws of Hong Kong and other jurisdictions. Further details have been disclosed in the section headed “Summary of the constitution of our Company and Cayman Islands Companies Law” in Appendix IV to this prospectus.

RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics and other information in this prospectus, including those related to the industry in which we operate, the economy in Hong Kong have been derived, in part, from various government officials and other independent third parties generally believed to be reliable. In addition, certain facts and information have been extracted from a market research report commissioned by us and prepared by Euromonitor, an independent market research agency. We believe that the sources of such information are appropriate and reasonable due care has been exercised in extracting and reproducing such information. We have no reason to believe that such

RISK FACTORS

information is false, misleading or has been omitted. However, the information has not been independently verified by our Company, our Directors, the Sponsor, nor any parties involved in the Placing and no representation is given as to its accuracy. Due to discrepancies between standards or levels of accuracy between published information and market practice, we make no representation as to the accuracy of the information contained in such sources. Accordingly, such industry information and statistics contained herein may not be accurate and should not be unduly relied upon.

Information contained in press articles or other media

Our Group wishes to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage regarding our Group or the Placing, and such information that was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media about our business or financial projections, share valuation or other information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

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

This prospectus contains certain forward-looking statements and information in relation to our Group that are based on the beliefs of our Directors as well as assumptions made by and information currently available to our Directors. Such statements reflect the current views of our Directors with respect to future events which may not materialise or may change. The accuracy of these statements is subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements in this prospectus involves known and unknown risks and uncertainties. Details of these statements and their associated risks are set out in the section headed “Forward-looking statements” of this prospectus.

**WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES AND EXEMPTION
FROM COMPLIANCE WITH THE COMPANIES (MISCELLANEOUS PROVISIONS) ORDINANCE**

WAIVER FROM STRICT COMPLIANCE WITH RULES 7.03(1) AND 11.10 OF THE GEM LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES (MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rules 7.03(1) and 11.10 of the GEM Listing Rules, the accountant's report as set out in Appendix I to this prospectus must include the consolidated results of our Group in respect of the two financial years ended 31 December 2016 (being the two financial years immediately preceding the issue of this prospectus) or such shorter period as may be acceptable to the Stock Exchange.

Similarly, according to section 342(1) of the Companies (Miscellaneous Provisions) Ordinance, our Company, as a company incorporated outside Hong Kong and proposing to offer its shares for subscription, must state the matters specified in Part I of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of that schedule in this prospectus.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)), our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company for each of the two years ended 31 December 2016 and include an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)), our Company is required to include in this prospectus a report by the auditors of our Company in respect of the profits and losses and assets and liabilities of our Company for each of the two years ended 31 December 2016.

The accountant's report for the two years ended 31 December 2015 and the eight months ended 31 August 2016 is set out in Appendix I to this prospectus. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance (as modified by section 5(3) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong)) and Rules 7.03(1) and 11.10 of the GEM Listing Rules would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following:

**WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES AND EXEMPTION
FROM COMPLIANCE WITH THE COMPANIES (MISCELLANEOUS PROVISIONS) ORDINANCE**

- (i) there would not be sufficient time for our Group and the reporting accountant to complete the audit work on the full financial information for the year ended 31 December 2016 for inclusion in this prospectus, which shall be issued on 14 February 2017. If the financial information is required to be audited up to 31 December 2016, our Company and the reporting accountant would have to undertake a considerable amount of work to prepare, update and finalise the accountant's report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period;
- (ii) our Directors and the Sponsor are of the view that (a) the accountant's report covering the two years ended 31 December 2015 and the eight months ended 31 August 2016, together with the profit estimate of our Group for the year ended 31 December 2016 as set out in Appendix III to this prospectus already provides potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group; and (b) all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Company has been included in this prospectus; and
- (iii) our Directors and the Sponsor confirmed that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our Group's financial and trading positions or prospects since 31 August 2016 and there is no event since 31 August 2016 which would materially affect the information shown in the accountant's report set out in Appendix I to this prospectus, the profit estimate of our Group for the year ended 31 December 2016 as included in Appendix III to this prospectus and the section headed "Financial information" of this prospectus and other parts of this prospectus.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules, on the conditions that:

- (i) this prospectus shall be issued on 14 February 2017 and the proposed listing of the Shares will take place on or before 28 February 2017;
- (ii) the SFC granting a certificate of exemption from strict compliance with requirements under section 342(1) in respect of the requirements under paragraphs 27 and 31 of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;

**WAIVER FROM STRICT COMPLIANCE WITH GEM LISTING RULES AND EXEMPTION
FROM COMPLIANCE WITH THE COMPANIES (MISCELLANEOUS PROVISIONS) ORDINANCE**

- (iii) a profit estimate for the year ended 31 December 2016 in compliance with Rules 14.29 to 14.31 of the GEM Listing Rules shall be included in this prospectus;
- (iv) a Directors' statement that there is no material adverse change to the financial and trading positions or prospects of our Group with specific reference to the trading results since 31 August 2016 and up to the date of this prospectus shall be included in this prospectus; and
- (v) our Company shall publish our results announcement for the financial year ended 31 December 2016 no later than 31 March 2017 in compliance with Rule 18.49 of the GEM Listing Rules.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountant's report for the full year ended 31 December 2016 in this prospectus. A certificate of exemption has been granted by the SFC under section 342A of the Companies (Miscellaneous Provisions) Ordinance on the conditions that:

- (i) this prospectus shall be issued on 14 February 2017; and
- (ii) the particulars of the exemption shall be set out in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regards to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and is neither misleading nor deceptive;
- (b) there are no other matters the omission of which would render any statement herein or this prospectus as a whole misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are considered fair and reasonable.

INFORMATION ON THE PLACING

The Placing Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus. Any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Sole Lead Manager, the Underwriter, and any of our or their respective affiliates, directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing. The listing of the Shares on GEM is sponsored by the Sponsor and managed by the Sole Lead Manager. The Placing is fully underwritten by the Underwriter pursuant to the Underwriting Agreement, subject to the terms and conditions of the Underwriting Agreement and that the Placing Price will be determined by agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date. For further details on the Underwriter and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

If, for any reason, the Placing Price is not agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) by 17 February 2017 or such later date, the Placing will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PLACING PRICE

The Placing Shares are being offered at the Placing Price which will be determined in Hong Kong dollars by our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date. The Placing Price will not be more than HK\$0.54 per Placing Share and is expected to be not less than HK\$0.50 per Placing Share. Subscribers, when subscribing for the Placing Shares shall pay on application, the maximum Placing Price of HK\$0.54 per Placing Share plus 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,181.77 for one board lot of 4,000 Placing Shares. For further details on the Placing Price, please refer to the section headed “Structure and conditions of the Placing” of this prospectus.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken to permit any offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such 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 Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Placing Shares will be required to confirm, or by his or her acquisition of the Placing Shares be deemed to confirm, that he or she is aware of the restrictions on the placing of the Placing Shares described in this prospectus and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors for the Placing 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.

STRUCTURE AND CONDITIONS OF THE PLACING

For further details on the structure and conditions of the Placing, please refer to the section headed “Structure and conditions of the Placing” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Department for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Placing, on GEM.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25.0% of the total issued share capital of our Company must at all times be held by the public. Accordingly, a total of 125,000,000 Placing Shares, representing 25.0% of the enlarged issued share capital of our Company immediately following completion of the Placing and the Capitalisation Issue will be made available under the Placing.

Under section 44B(1) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Placing Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Placing, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisers.

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.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, agents or advisers or any other person involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our fully-paid Shares are freely transferable. The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong.

All of the Placing Shares will be registered on our Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange agrees otherwise.

Our Company's principal register of members will be maintained by the principal share register and transfer office Harneys Services (Cayman) Limited at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

Dealings in the Shares registered on the branch register of members of our Company 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 the 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 its joint Shareholders, to the first-named therein in accordance with the Articles.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the GEM are expected to commence at 9:00 a.m. on 22 February 2017. The shares will be traded in board lots of 4,000 Shares each. The stock code for our Shares is 8188.

Our Company will not issue any temporary documents of title.

Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the branch register of members of our Company maintained in Hong Kong will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Chuang Chun Ngok Boris (莊峻岳)	Room 2, Block F Goodview Garden 24 Stubbs Road Happy Valley Hong Kong	Chinese
Mr. Chuang Wei Chu (莊偉駒)	Room 2, Block F Goodview Garden 24 Stubbs Road Happy Valley Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Lam Man Bun Alan (林文彬)	House No. 8 The Hill Grove 165 Tsing Shan Tsuen Tuen Mun New Territories Hong Kong	Chinese
Mr. Lau Chun Fai Douglas (劉俊輝)	Flat A, 12/F Block 1 Sherwood Court 18 Kwai Sing Lane Happy Valley Hong Kong	Chinese
Ir Ng Wai Ming Patrick (吳惠明)	Flat E, 14/F Block 13A South Horizons Horizons Drive Ap Lei Chau Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors, senior management and employees” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor

Altus Capital Limited

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

21 Wing Wo Street
Central
Hong Kong

Sole Lead Manager

Pacific Foundation Securities Limited

A corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO

11/F New World Tower II
16-18 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law

Howse Williams Bowers

27/F Alexandra House
18 Chater Road
Central
Hong Kong

As to Cayman Islands law

Harney Westwood & Riegels

3601 Two Exchange Square
8 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

**Legal advisers to the
Sponsor and the Underwriter**

As to Hong Kong law

Sidley Austin

Level 39
Two International Finance Centre
Central
Hong Kong

Auditors and reporting accountant

BDO Limited

Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Compliance adviser

Altus Capital Limited

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

21 Wing Wo Street
Central
Hong Kong

CORPORATE INFORMATION

Registered office	4th Floor Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters and principal place of business in Hong Kong	Room 1001-2, 10/F 148 Electric Road Hong Kong
Compliance officer	Mr. Chuang Chun Ngok Boris (莊峻岳)
Company secretary	Mr. Sze Chun Kit (施俊傑) <i>HKICPA</i> Room A, 4th Floor Sun Ying Mansion 43-47 King's Road North Point, Hong Kong
Company website	www.gmehk.com <i>(Note: information contained in this website does not form part of this prospectus)</i>
Audit Committee	Mr. Lau Chun Fai Douglas (劉俊輝) (<i>Chairman</i>) Ir Ng Wai Ming Patrick (吳惠明) Mr. Lam Man Bun Alan (林文彬)
Remuneration Committee	Mr. Lam Man Bun Alan (林文彬) (<i>Chairman</i>) Mr. Lau Chun Fai Douglas (劉俊輝) Ir Ng Wai Ming Patrick (吳惠明) Mr. Chuang Chun Ngok Boris (莊峻岳)
Nomination Committee	Ir Ng Wai Ming Patrick (吳惠明) (<i>Chairman</i>) Mr. Chuang Chun Ngok Boris (莊峻岳) Mr. Lam Man Bun Alan (林文彬) Mr. Lau Chun Fai Douglas (劉俊輝)

CORPORATE INFORMATION

**Authorised representatives
(for the purpose of the
GEM Listing Rules)**

Mr. Chuang Chun Ngok Boris (莊峻岳)
Room 2, Block F
Goodview Garden
24 Stubbs Road
Happy Valley
Hong Kong

Mr. Sze Chun Kit (施俊傑)
HKICPA
Room A, 4th Floor
Sun Ying Mansion
43-47 King's Road
North Point, Hong Kong

**Principal share registrar and
transfer office**

Harneys Services (Cayman) Limited
4th Floor
Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

**Hong Kong branch share
registrar and transfer office**

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Dah Sing Bank, Limited
36th Floor
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

DBS Bank (Hong Kong) Limited
G/F
The Center
99 Queen's Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government official publications as well as the commissioned report from Euromonitor, an Independent Third Party. The Euromonitor Report reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor Report should not be considered as the opinion of Euromonitor as to the value of any security or advisability of investing in our Company. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from these official government sources, such facts and statistics have not been independently verified by our Group, the Sponsor, the Sole Lead Manager, the Underwriter or any of their affiliates or advisers or any other party involved in the Placing. Our Directors have no reason to believe that such facts, statistics and data presented in this section are false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. The information provided in this section should not be relied upon in making, or refraining from making any investment decision.

Our Directors confirm that after taking reasonable care, they are not aware of any adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have any impact on the information in this section.

SOURCES OF INFORMATION

Report prepared by Euromonitor

Euromonitor was commissioned by our Group to prepare the Euromonitor Report in respect of the civil engineering construction service industry, in particular tunnel construction services, in Hong Kong. A total fee of USD69,998 (approximately HK\$543,000) was paid to Euromonitor for the preparation of the Euromonitor Report. The Euromonitor Report has been prepared by Euromonitor independent of our Group's influence, and such fee was not conditional on our Group's successful listing or on the results of the Euromonitor Report. Information disclosed in this prospectus which is attributable to Euromonitor has been extracted from the Euromonitor Report, which was published with the consent of Euromonitor.

Euromonitor is an independent market research company with global operations and is experienced in providing industry research for companies seeking listing in Hong Kong.

INDUSTRY OVERVIEW

The information contained in the Euromonitor Report, which has been extracted and placed in this prospectus, was derived by various information collection methodologies including (i) primary research, which involved conducting interviews with a sample of leading industry participants and experts for the latest data and insights on future trends to verify and cross check the consistency of data and research estimates; and (ii) secondary research, which involved reviewing published sources from the Census and Statistics Department, leading trade associations such as the Construction Industry Council, and company reports including audited financial statements where available and independent research reports. All statistics are based on information available as at the date of this report. Projected data in the Euromonitor Report was obtained by plotting historical data analysis against macroeconomic data with reference to specific industry-related drivers. The information collected will be reviewed and cross-checked against all sources for consistency and accuracy and an independent analysis will be conducted to build all final estimates of the market in the preparation of the Euromonitor Report.

In relation to the forecasted or estimated information presented in the Euromonitor Report, Euromonitor assumed (i) the Hong Kong economy to maintain steady growth over the forecast period; (ii) the Hong Kong social, economic and political environments to remain stable during the forecast period, and (iii) key market drivers such as economic and infrastructure growth to boost the development of the Hong Kong's tunnel construction services market.

Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have a material impact on the information provided in this section of the prospectus.

MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

The Gross Domestic Product (“GDP”) value in Hong Kong increased from approximately HK\$1,934.4 billion in 2011 to approximately HK\$2,397.1 billion in 2015, at a CAGR of approximately 5.5%.

Growth in GDP value remained at around 5.0% from 2012 to 2014, dragged down by weak external demand as a result of austere global economic conditions, which subsequently picked up to approximately 6.2% for 2015 in the latest provisional figures released by the government.

OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

In the view of our Directors, the outlook of the construction industry in Hong Kong is correlated to the demand of civil engineering construction and tunnel construction services in Hong Kong. As such, we present information pertaining to the construction industry in Hong Kong in the section below.

INDUSTRY OVERVIEW

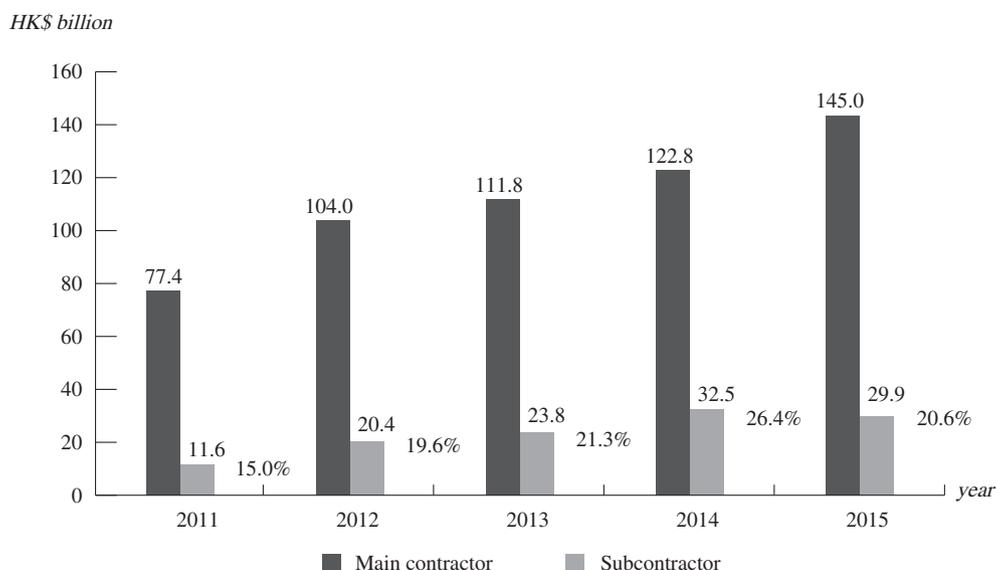
Key trends of the construction industry in Hong Kong

The construction industry has contributed approximately 3.4% to 4.3% to the total GDP value of Hong Kong during the period between 2011 and 2014. The total gross value of construction works performed by main contractors at construction sites increased from approximately HK\$77.4 billion in 2011 to approximately HK\$145.0 billion in 2015, representing a CAGR of approximately 17.0%. Civil engineering construction has contributed approximately 35.6% to 36.8% of the gross value of construction works performed by main contractors at construction sites during the period between 2011 and 2015.

Along with the increase in the gross value of construction works performed by main contractors, the gross value of construction works performed by subcontractors also grew from 2011 to 2015, at a CAGR of approximately 26.7%. The growth in the value of construction works performed by subcontractors is attributable to the growing share of works carried out by subcontractors as a percentage of that performed by main contractors which grew by approximately 5.6 percentage points between 2011 and 2015.

The gross value of works performed by subcontractors at construction sites as a percentage of the gross value of works performed by main contractors increased from approximately 15.0% in 2011 to approximately 20.6% in 2015. The growth in the value share of works performed by subcontractors has primarily been driven by a number of factors including the rising contract costs of subcontractors, the increasing size and complexity of construction projects and rising labour costs.

**The gross value of construction works performed by main contractors
and subcontractors at construction sites from 2011-2015**



Note: The gross value of construction works performed by main contractors include the gross value of construction works performed by subcontractor.

Source: Euromonitor Report

INDUSTRY OVERVIEW

Construction projects can be classified as public sector projects and private sector projects. The total gross output value from the public sector projects increased significantly during the period from 2011 to 2015, increasing from approximately HK\$42.1 billion to approximately HK\$77.2 billion for 2011 and 2015 respectively. Public sector construction works surged by 34.8% in 2011 and continued to perform strongly in 2012 due to the launch of several mega infrastructure projects during this period. However, growth in public sector projects slowed down in 2014 and 2015 due to the completion or winding down of some projects, as well as extended delays in others.

According to Euromonitor, public sector construction expenditures are expected to increase in the midterm. The increase in public sector expenditure will be more significant due to the Hong Kong Government's focus in providing more public housing. Public sector civil works are also expected to register strong growth as there is a strong development of infrastructure projects. It is, however, noted that Hong Kong's close economic and social relationship with mainland China suggests that Hong Kong will be susceptible to the slowdown of Chinese economy. On the other hand, the 2016 Chief Executive's Policy Address outlined that a few infrastructure projects including the South Island Line (East) and Kwun Tong Line Extension, which focus mainly on tunnel construction, are still under construction. The surge in tourist numbers created demand for better connections and faster travel between mainland China and Hong Kong, which also resulted in several cross-border infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge, which are also focusing in tunnel construction.

Policies and regulations of the construction industry in Hong Kong

All construction businesses in Hong Kong must comply with the relevant rules and regulations laid down by the Hong Kong Government and related governmental departments, and the Construction Industry Council. While subcontractors in the construction industry in Hong Kong are not bound by all the rules governing main contractors, the Construction Industry Council has implemented the voluntary Subcontractor Registration Scheme. The scheme was set up aiming to build a pool of capable subcontractors and to improve the regulatory and management framework of subcontractors in Hong Kong. Certain governmental departments or statutory bodies may require main contractors to only subcontract works to subcontractors who are registered under the scheme.

INDUSTRY OVERVIEW

OVERVIEW OF THE TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

Tunnel construction industry is one of the specific areas of civil engineering in Hong Kong, which mainly involves the construction of road tunnels, railway tunnels, water supply tunnels, drainage and sewage tunnels, cable and other tunnels. It is one of the most important construction activities in Hong Kong and the revenue earned by tunnel construction service providers in 2015 amounted to around HK\$12.7 billion, and represented approximately 24.0% of the gross value of civil engineering projects of that year.

The steady growth of tunnel construction industry during 2011 to 2014 was mainly driven by a surge of public infrastructure construction, including the Mass Transit Railway (“MTR”) network expansion and other drainage projects that included sewage tunnel construction such as the Harbour Area Treatment Scheme, to meet the needs of the growing Hong Kong economy and population. However, the year-on-year growth in the tunnel construction industry began to slow down from approximately 22.8% for 2014 to approximately 13.0% for 2015. This is mainly attributable to the continued delays in construction activities and reduced government budget on public construction contracts.

Key methodologies employed in tunnel construction projects

Tunnel construction projects in Hong Kong involve a variety of construction methods depending on factors such as ground condition, the dimension of the intended tunnel, availability of working space, construction planning and design, and time schedule. Tunnel construction methods mainly employed in Hong Kong’s tunnel construction industry include the cut and cover, drill and blast, tunnel boring machine (“TBM”) and immersed tube construction method. According to the Euromonitor Report, large infrastructure project would commonly use a combination of tunnel construction methods as the tunnel may transverse areas with different ground conditions.

The drill and blast method which our Group is specialised in is commonly employed for rock tunnelling in Hong Kong, which is suitable for use in tunnels with large cross sections and running through hard rock or deep in the ground. According to industry sources, tunnel construction work (including both excavation and advanced works) would normally take up about 80% of the total project sum in a tunnel construction project.

Client segmentation

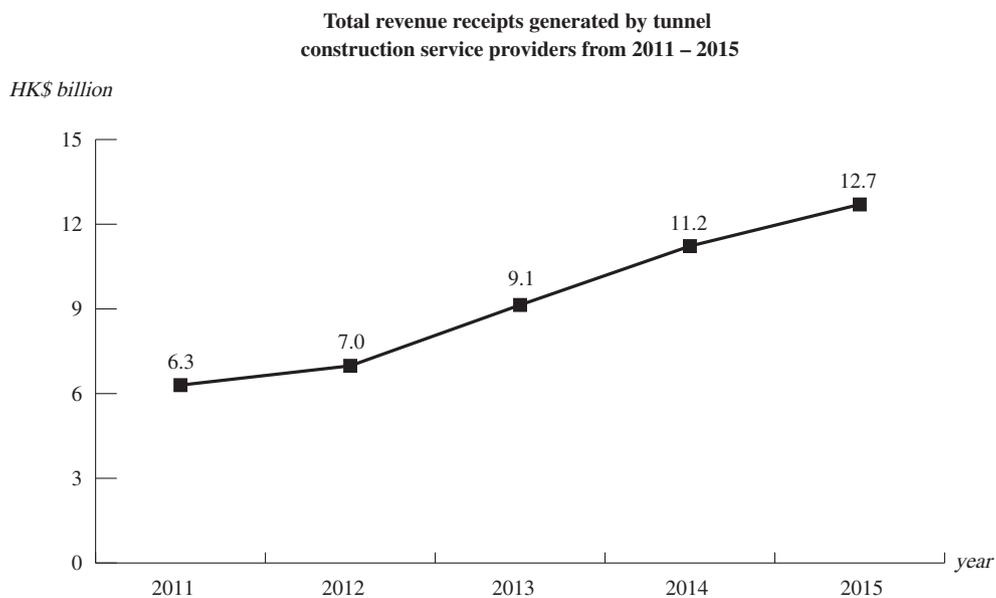
Given the typical large scale nature of tunnel construction projects in Hong Kong, the industry is dominated by a few main construction companies as a result of financial and technical competencies required for carrying out these large-scale projects. Most of the tunnel construction projects in Hong Kong are related to public sector infrastructure, which would require the main contractor to directly coordinate with the Hong Kong Government, and obtain various licences and permits. Such main contractor would usually be the client of subcontractors engaging in the provision of tunnel construction services in Hong Kong, such as our Group, if the main contractor considers it is necessary to engage subcontractors in the project.

INDUSTRY OVERVIEW

After a contract has been awarded from the Hong Kong Government to the main contractor, the main contractor would evaluate the need to engage a subcontractor. For more complex construction methods such as TBM, the main contractor would normally rely on their own in-house expertise and their own machinery, and would seldom subcontract such work to third party subcontractors. Subcontractors are however, usually employed for tunnel works where drill and blast or cut and cover methods are employed. Given our Group's speciality in tunnel construction and, in particular, as a subcontractor employing the drill and blast method, our major customers in the tunnel construction industry in Hong Kong would mainly be main contractors engaging in public sector infrastructure projects.

Recent historical development in the tunnel construction industry in Hong Kong

Tunnel construction industry forms a significant portion of civil engineering works. As illustrated below, the revenue receipts generated by tunnel construction service providers in Hong Kong grew at a CAGR of approximately 19.1% to reach approximately HK\$12.7 billion from 2011 to 2015, amounting to approximately 24.0% of the gross value of civil engineering projects in 2015 in Hong Kong.



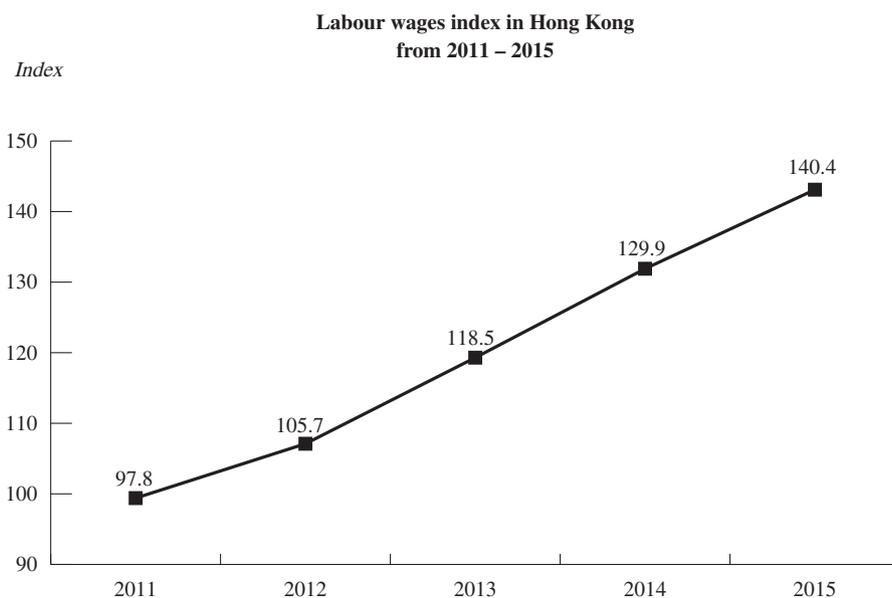
Source: Euromonitor Report

INDUSTRY OVERVIEW

The increase in revenue receipts generated by tunnel construction service providers in Hong Kong is mainly driven by the increase of approximately 72.5% of the revenue receipts between 2010 and 2011, corresponding to the rollout of certain large-scale infrastructure projects, including the South Island Line and the Hong Kong section of the Guangzhou – Shenzhen – Hong Kong Express Rail Link, which contributed to an approximately 56.8% rise in the gross value of civil engineering construction that year. Between 2011 and 2014, tunnel construction maintained a strong growth mainly due to the expansion of MTR railway network in Hong Kong, and the railway express link between mainland China and Hong Kong. The year-on-year increase in revenue receipts generated by tunnel construction service providers in Hong Kong slowed down to approximately 13.0% in 2015 due to continued delays in construction activities and reduced government budget on public construction contracts. It is also noted that only 20 public construction contracts at a budget of under HK\$30 billion were approved by the Hong Kong Legislative Council in 2015, down from 50 public construction contracts at a budget of around HK\$50 billion in the previous year.

Skilled labour wages for civil engineering projects in Hong Kong

As illustrated in the graph below, labour wages for civil engineering project in Hong Kong had increased from 2011 to 2015. The monthly composite labour wages of civil engineering projects has increased by 42.6 percentage points from 2011 to 2015. The increasing trend was attributable to the various delays and cost overrun in some tunnel construction projects in Hong Kong, and the low replacement rates of construction labour corresponding to the general reluctance among the younger generation to work as construction workers in Hong Kong.



Note: Index series with April 2003 as base period (i.e. April 2003 :100)

Source: Euromonitor Report

INDUSTRY OVERVIEW

As labour cost tends to contribute between 25% and 35% of the total project costs in civil engineering industry, it is expected that the trend of labour cost will continue to play a pivotal role in the growth of civil engineering industry in Hong Kong.

COMPETITIVE ANALYSIS OF THE TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

Competitive landscape of tunnel construction industry

Hong Kong's tunnel construction industry is dominated by a few main construction companies as a result of the high barriers of entry, and the financial and technical competencies required to carry out large-scale projects. Other smaller players typically engage as subcontractors to work on smaller, less complex sections of the tunnel construction project. The tunnel construction market is differentiated between larger and smaller players. The larger players in the industry tend to be involved in more technically complex projects, such as those involving TBMs, while the smaller players tend to specialise in methods that do not require as much capital investment, such as the drill and blast method. The tunnel construction subcontractor industry in Hong Kong is fragmented with around 1,200 subcontractors registered with the Construction Industry Council for trade specialties that would allow them to take part in tunnel construction projects. According to the Euromonitor Report, across the range of tunnel construction tender projects awarded by main contractors to subcontractors over the 2014 to 2015 period, subcontractors were usually found to be employed in one specialised service during a single contract, rather than for multiple service operations. As the subcontractor industry is fragmented, subcontractors in Hong Kong compete for tender projects based on their reputation among main contractors, and relationship with customers. Our Group's specialty in drill and blast method, ability to provide integrated tunnel construction services, coupled with our longstanding relationships with some of the leading tunnel construction main contractors in Hong Kong, are the main competitive edge of our Group. For further details, please refer to the paragraph headed "Competitive strengths and business strategies" in the section headed "Business" of this prospectus.

Entry barriers of the tunnel construction industry in Hong Kong

Barriers for new entrants include the lack of industry experience, difficulties in recruiting suitable technical staff, and the access to tunnel construction labourers.

It is, however, important to note that while main contractors in tunnel construction industry may have a high barrier of entry associated with large capital investments, for subcontractors operating in the industry, their ability to compete rests highly on specialised knowledge. The barriers to entry for subcontractors are more network-based where their ability to organise resources forms the basis of competition in the industry. Our Directors are of the view that our Group's established relationships with some leading main contractors in the tunnel construction industry will continue to strengthen our position in the industry.

INDUSTRY OVERVIEW

Top eight tunnel construction service providers in Hong Kong

In 2015, the total revenue receipt of the tunnel construction industry in Hong Kong reached approximately HK\$12.7 billion, recording a CAGR of 19.1% from 2011 to 2015.

There are around five major subcontractors offering drill and blast services in the tunnel construction industry in Hong Kong. There is, however, no publicly available information on the market share of those players, and therefore a ranking table for subcontractors engaging in tunnel construction industry in Hong Kong could not be presented. Subcontractors mainly compete for tender projects based on their reputation among and relationship with main contractors. We thereby set out below the top eight leading tunnel construction service providers in Hong Kong as at 31 December 2015.

Ranking of leading tunnel construction service providers in terms of revenue receipts generated from provision of tunnel construction services in Hong Kong (2015)

Rank	Company	Listed/Private	Market share (%)	Revenue receipt HK\$ million
1	Company 1	Private	20.0%	2,536.6
2	Company 2 ⁽¹⁾	Listed	13.0%	1,648.8
3	Company 3	Private	10.0%	1,268.3
3	Company 4 ⁽¹⁾	Private	10.0%	1,268.3
4	Company 5	Listed	8.6%	1,090.7
5	Company 6 ⁽¹⁾	Listed	5.0%	634.2
6	Company 7	Private	4.3%	545.4
7	Company 8	Private	3.4%	431.2

Notes:

- Companies 2, 4, and 6 are our Customers B, C, and A as disclosed under the paragraph headed “Major customers” in the section headed “Business” of this prospectus. Including main contractors that are joint venture partners of our customers, our Group’s customer base would cover six out of the top eight leading tunnel construction service providers in Hong Kong.
- While financial data was available for some of the companies, they typically did not break the revenue or sales numbers into the relevant categories covered in this study. For these companies as well as those that were included in the market share but are not publicly listed, we have projected the market share based on estimates provided by various trade sources (i.e. not just the companies themselves) and sought a consensus on these estimates as much as possible.

INDUSTRY OVERVIEW

Our Group's close and longstanding relationships with three of its major customers that are among the list of top eight main leading tunnel construction companies (companies 2, 4 and 6) have helped to contribute to our Group's revenue. In 2015, our customers who are among the list of top eight main leading tunnel construction companies, contributed 33.7%, 21.8% and 15.9% of our Group's revenue respectively, and have a total market share of approximately 28.0% together in the tunnel construction industry in Hong Kong as at 31 December 2015. Our Directors are of the view that given our close and stable relationships with several leading tunnel construction companies in Hong Kong, it will help to enhance and strengthen our market share and position in the tunnel construction industry in Hong Kong. For further details of our major customers, please refer to the paragraph headed "Major customers" in the section headed "Business" of this prospectus.

FUTURE OUTLOOK OF TUNNEL CONSTRUCTION INDUSTRY IN HONG KONG

The growth of Hong Kong's tunnel construction industry is dependent on the construction industry, and therefore is expected to slow down from 2016 to 2020 due to the completion of several major infrastructure projects. Under the Hong Kong Government's development blueprint for the future, it is expected that the focus of government investment will gradually shift from large infrastructure works to housing development, thus the growth of Hong Kong's tunnel construction industry attributable to infrastructure projects is expected to slow down. Furthermore, the Hong Kong Government's announcement of a slow down in the funding of public construction contracts will likely to dampen the growth of Hong Kong's tunnel construction industry from 2016 to 2020.

Nonetheless, tunnel construction is still expected to continue growing in the coming years, albeit at a slower pace. According to the Euromonitor Report, revenue receipts generated by tunnel construction service providers are expected to grow at a CAGR of 10.6% from 2016 to 2020, and reaching approximately HK\$21.3 billion by 2020. The steady growth in tunnel construction industry will mainly be sustained by several major transport infrastructure projects including the Hong Kong – Zhuhai – Macau Bridge, the Tuen Mun-Chek Lap Kok Link, and the Central-Wan Chai Bypass, which are all expected to have completed by 2020. Other new infrastructure projects such as the Tseung Kwan O-Lam Tin Tunnel and the Central Kowloon Route are also expected to continue supporting the growth in Hong Kong's tunnel construction industry. Apart from transportation infrastructures, the Drainage Services Department also released the project profile for Sha Tin Cavern Sewage Treatment Works which is expected to commence construction in 2017 and will involve tunnel constructions using the drill and blast technique. All of these new projects, coupled with the ongoing projects, will provide significant revenue receipts for the tunnel construction industry in the future. Our Directors are of the view that given the scale of these projects are relatively large, main contractors would continue to subcontract various tunnel construction parts of the contract to subcontractors such as our Group.

INDUSTRY OVERVIEW

OPPORTUNITIES AND THREATS

The growth in development in railway and road infrastructure in Hong Kong presents opportunities for the tunnel construction industry. Due to the population density in Hong Kong, there is limited space for construction of infrastructure related to transportation aboveground. Future projects such as the Tseung Kwan O-Lam Tin Tunnel and the Central Kowloon Route all require tunnel construction. Additionally, the project profile for the Sha Tin Cavern Sewage Treatment Works (expected to commence construction in 2017 for completion in 2027) has been released, and will involve the construction of tunnels using the drill and blast method, which our Group is specialised in. Together with the remaining ongoing projects, these are expected to provide a significant revenue receipts for the tunnel construction industry, and become the main market driver for the industry.

Even though the Hong Kong Government is gradually shifting the government investment from large infrastructure works to housing development, tunnel construction is also expected to benefit from an increase in civil works such as the construction of water supply, drainage, and sewage tunnels, which will arise from the government's urban and housing development plan. The growth of tunnel construction industry in Hong Kong is expected to remain stable despite of the slowing down of public infrastructure projects.

Shortage to workers continues to be a challenge for Hong Kong's tunnel construction industry, and tunnel construction subcontractors in Hong Kong are likely to face the same challenge. The labour shortage stemmed from the aging population, and reluctance among the younger generation to take up such employment. The rise in operational cost caused by the increasing cost of manpower poses a challenge to subcontractors engaging in the provision of tunnel construction services in Hong Kong.

The large number of existing tunnel networks in built up areas of Hong Kong accumulated over the years has started to make it increasingly challenging for contractors to develop new tunnels for roads or railways as these new tunnels will need to be diverted to take into account of the existing infrastructure.

REGULATORY OVERVIEW

HONG KONG LAWS AND REGULATIONS

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

LAWS AND REGULATIONS IN RELATION TO THE BUSINESS OF OUR GROUP IN HONG KONG

Labour, health and safety

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

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

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

A proprietor who contravenes these duties commits an offence and is liable to a fine of 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.

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

REGULATORY OVERVIEW

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident (within 14 days for general work accidents and within seven days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

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

According to section 40 of the Employees' Compensation Ordinance, all employers (including principal contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years.

REGULATORY OVERVIEW

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

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

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

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

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

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

REGULATORY OVERVIEW

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

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal 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.

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

The Construction Workers Registration Ordinance (“**CWRO**”) was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal object 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 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 seven days after any construction work begins on the site; and
 - ii. for each successive period of seven days, within two Business Days following the last day of the period concerned (section 58(7)(b) of the CWRO).

REGULATORY OVERVIEW

Builders' Lifts and Tower Working Platforms (Safety) Ordinance (Chapter 470 of the Laws of Hong Kong)

The Builders' Lifts and Tower Working Platforms (Safety) Ordinance provides for the design, construction, installation and maintenance in safe working order of builders' lifts and tower working platforms, for the examination and testing of such lifts and platforms and for other related matters. The owner of a builder lift or tower working platform shall ensure the requirements under the Builders' Lifts and Tower Working Platforms (Safety) Ordinance, such as maintenance and support, are complied with.

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

Pursuant to the Dangerous Goods Ordinance, storage and usage of any dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.

Under section 3 of the Dangerous Goods Ordinance, "dangerous goods" include all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

Under section 6 of the Dangerous Goods Ordinance, no person shall manufacture, store, convey or use any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. Pursuant to Regulation 77 of the Dangerous Goods (General) Regulations, every application for any licence to manufacture or store in bulk any permanent gas or liquefied gas shall be made in writing addressed to the director of the Fire Services Department.

Under section 14 of the Dangerous Goods Ordinance, any person who contravenes section 6 of the Dangerous Goods Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to imprisonment for six months.

Environmental protection

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

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

REGULATORY OVERVIEW

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong)

Under the Air Pollution Control (Construction Dust) Regulation, “**construction work**” includes but not limited to the construction, demolition, reconstruction, maintenance or repair of the whole or any part of any bridge, building, tunnel, wall or other structure and site formation. Under section 3 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where any notifiable work is proposed to be carried out shall give notice to the public officer appointed under the Air Pollution Control Ordinance of the proposal to carry out the work. Such “**notifiable work**” includes site formation, reclamation, demolition of a building, work carried out in any part of a tunnel that is within 100 metres of any exit to the open air, construction of the foundation of a building, construction of the superstructure of a building or road construction work.

Under section 4 of the Air Pollution Control (Construction Dust) Regulation, the contractor responsible for a construction site where a notifiable work is being carried out shall ensure that the work is carried out in accordance with the Schedule of the Air Pollution Control (Construction Dust) Regulation.

Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (“**NRMMs**”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

REGULATORY OVERVIEW

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

Any person who sells or leases a regulated machine for use in Hong Kong, or uses a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department's approval is liable to a fine of up to HK\$200,000 and to imprisonment for up to six months; and (ii) a proper label is liable to a fine of up to HK\$50,000 and to imprisonment for up to three months.

On 8 February 2015, the Works Branch of Development Bureau issued Technical Circular (Works) No. 1/2015 (the "**Technical Circular**"), pursuant to which the Hong Kong Government has promulgated an implemental plan to phase out progressively the use of exempted NRMM for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015. Notwithstanding the aforesaid phase out plan, exempted NRMM may still be permitted at the discretion of the architect or engineer of public contracts if there is no feasible alternative. Under phase out plan of the Technical Circular, the contractors being invited to tender or to participate in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million on or after 1 June 2015 shall allow no exempted generator and air compressor to be used on site after 1 June 2015 and the quantity of exempted excavators and crawler cranes used on site not to exceed 50%, 20% and 0% of the total number of exempted NRMMs being used on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively.

REGULATORY OVERVIEW

As at the Latest Practicable Date, our Group has 21 regulated machines and out of which 16 machines and the remaining five machines were exempted and approved, respectively, by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Set out below is the table showing the details of the approved and exempted NRMMs owned by our Group as at the Latest Practicable Date:

	Quantity		Carrying
	Approved	Exempted	Amount as at 31 December 2016 HK\$'000 (approximate)
Air compressor	3	2	32 <i>(Note 1)</i>
Concrete pump	0	2	113
Excavator	2	4	1,641 <i>(Note 2)</i>
Generator	0	2	299
Loader	0	1	152
Platform	0	4	419
Roller	0	1	77
	<u>5</u>	<u>16</u>	<u>2,733</u>

Notes:

1. The carrying amount of approved and exempted air compressor amounted to HK\$6,000 and HK\$26,000, respectively.
2. The carrying amount of approved and exempted excavator amounted to HK\$1,237,000 and HK\$404,000, respectively.

Of the 16 exempted machines, there are eight exempted machines (two air compressors, four excavators and two generators) to be phased out under the phase out plan detailed in the Technical Circular. Our Directors confirm that none of the public projects which we participate in as at the Latest Practicable Date are subject to phase out plan detailed in the Technical Circular. In addition, our Directors consider that we will remain able to participate in or tender for public contract with an estimated contract value exceeding HK\$200 million by leasing sufficient approved NRMMs and factoring such additional costs into our tender applications. Thus, our Directors are of the view that the implementation of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and the exempted NRMM phase out plan as detailed in the Technical Circular has no significant impact or adverse effect on our Group's operation and financial results.

REGULATORY OVERVIEW

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

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

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between seven p.m. and seven a.m. on normal weekdays and at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the Construction Noise Permit System. Certain equipment is also subject to restrictions 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 Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a Construction Noise Permit from the Environmental Protection Department. Any person who is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of 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.

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

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

All discharges, other than domestic sewage to a foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent and the general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

REGULATORY OVERVIEW

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters or discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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

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

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of 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; and to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and in addition, if the offence is continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)

Under the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection Department.

REGULATORY OVERVIEW

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for two years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day that the court is satisfied that the operation has continued.

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

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

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

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

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

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

Construction services

Subcontractor Registration Scheme

Subcontractors in Hong Kong may apply for registration under the Subcontractor Registration Scheme (the “SRS”) managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007. GMEHK is currently registered as a registered subcontractor under the SRS in respect of various trades including concreting formwork, reinforcement bar fixing, concreting, scaffolding, structural steelwork, general civil works (earthwork, road drainage and sewer, geotechnical works, ground investigation and others (tunnel works)), finishing wet trades and painting. Such registration will expire on 4 January 2019. For details of the registration, please refer to the paragraph headed “Licences and permits” of the section headed “Business” of this prospectus.

REGULATORY OVERVIEW

The SRS was formerly known as the Voluntary Subcontractor Registration Scheme (“**VSRS**”), which was introduced by the Provisional Construction Industry Co-ordination Board (the “**PCICB**”). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

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

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed SRS. All subcontractors registered under the VSRS have automatically become registered subcontractors under the SRS.

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

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

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

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

REGULATORY OVERVIEW

- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for subcontractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years of experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

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

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

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

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
2. failure to give timely notification of changes to the registration particulars;
3. serious violations of the registration rules and procedures;

REGULATORY OVERVIEW

4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
6. wilful misconducts that may bring the SRS into serious disrepute;
7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequences:
 - i. loss of life; or
 - ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the registered subcontractor at each of a construction site under a contract;
10. convictions for employment of illegal worker under the Immigration Ordinance; or
11. late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

The Management Committee may instigate regulatory actions by directing that:

- (a) written strong direction and/or warning be given to a registered subcontractor;
- (b) a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- (c) a registered subcontractor be suspended from registration for a specified duration; or
- (d) the registration of a registered subcontractor be revoked.

REGULATORY OVERVIEW

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

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

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

The new legislation will, among others:

- prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in court, arbitration or adjudication;
- prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments;
- enable parties who are entitled to progress payments under the terms of a contract covered by the SOPL to claim such payments as statutory payment claims, upon receipt of which the payer has up to 30 calendar days to serve a payment response, and parties who are entitled to payments under statutory payment claims will be entitled to pursue adjudication if the statutory payment claims are disputed or ignored; and
- give parties the right to suspend or reduce the rate of progress of works after either non-payment of an adjudicator’s decision or non-payment of amounts admitted as due.

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

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

REGULATORY OVERVIEW

Compliance with the relevant requirements

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary permits/licenses/registrations required for our existing business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date.

Approval for Reorganisation and Listing

No regulatory approval is required for the Reorganisation.

Save for the approval from the Stock Exchange, no other regulatory approval is required for the Listing.

For Shareholders' approval, please refer to the paragraph headed "1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017" in Appendix V to this prospectus.

HISTORY AND REORGANISATION

OVERVIEW

Our Company, which became the ultimate holding company of our Group as a result of the Reorganisation, was incorporated in the Cayman Islands on 18 January 2016 in anticipation of the Placing. We operate our business through GMEBVI and GMEHK. GMEBVI is an investment holding company and GMEHK is our operating subsidiary which engages in underground construction services in Hong Kong.

The history of our Group can be traced back to September 1994 when Mr. Stephen Chuang founded GMEHK. Prior to establishing GMEHK, Mr. Stephen Chuang had been in the civil engineering industry for over 20 years until 2002, when he was an executive vice-president of a private construction company primarily engaged in building construction and civil engineering works. With a view to having a company already in place when the opportunity to kick-start his own business arises, Mr. Stephen Chuang established GMEHK in September 1994 with his own personal savings. Mr. Stephen Chuang had continued working for the private construction company mentioned above after he established GMEHK in September 1994 until May 2002, during which GMEHK had not commenced business. Further details of Mr. Stephen Chuang are set out in the section headed “Directors, senior management and employees” of this prospectus.

In 2002, Mr. Stephen Chuang recruited his son, Mr. Boris Chuang as a director of GMEHK to put into action his plan of establishing his own civil engineering business. Further details of Mr. Boris Chuang are set out in the section headed “Directors, senior management and employees” of this prospectus. In 2005, GMEHK won a contract in relation to slope works for the design and build of improvement to part of Castle Peak Road, thereby commencing business in civil construction in Hong Kong. Since then, GMEHK has expanded its business into various types of underground construction works such as tunnel works, structural works, slope works, R&D works and drill and blast works in the public and private sectors in Hong Kong.

Set forth below is a chronological review of the key milestones of our Group:

Year	Major development and achievement
December 2005	GMEHK won a contract in relation to slope works for the design and build of improvement to part of Castle Peak Road.
September 2009	GMEHK’s quality management system was accredited with ISO 9001:2008 certification.
May 2012	GMEHK received the Model Subcontractor Award from the Development Bureau and Construction Industry Council.

HISTORY AND REORGANISATION

Year	Major development and achievement
March 2013	GMEHK was awarded with a project involving tunnel construction works in an extension of an underground sewage system and treatment plant and connecting drainage tunnel for a total contract value of over HK\$23 million.
May 2014	GMEHK commenced its first drill and blast project as part of a tunnel construction works in an extension of an underground sewage system and treatment plant and connecting drainage tunnel with a total contract value of over HK\$10 million.
October 2015	GMEHK entered into a contract for drill and break tunnel works in a tunnel for a cross border bridge connecting Hong Kong and China with a total contract value of over HK\$60 million.

CORPORATE DEVELOPMENT

The following sets forth the corporate history of our major subsidiary since its date of incorporation prior to the Reorganisation.

GMEHK, the sole operating entity of our Group, was incorporated in Hong Kong with limited liability on 22 March 1994. GMEHK is principally engaged in underground construction works.

At incorporation, GMEHK had an authorised and issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Two GMEHK Shares were allotted to two nominal subscribers at a nominal consideration of HK\$1.00 each with reference to the then par value of the GMEHK Shares.

HISTORY AND REORGANISATION

Since its incorporation and prior to the Reorganisation, the following transfers and allotments and issues of GMEHK Shares had been effected:

- (1) On 23 September 1994, one subscriber GMEHK Share from each of the two subscribers was transferred to each of Mr. Stephen Chuang and Mr. Lo (who was then a colleague of Mr. Stephen Chuang in another private construction company) respectively at the then par value of the GMEHK Shares of HK\$1.00 each.
- (2) On 30 May 2002, GMEHK increased its authorised share capital from HK\$10,000 to HK\$1,500,000 by the creation of 1,490,000 GMEHK Shares. On the same date, 149,999, 375,000, 300,000, 300,000, 299,999 and 75,000 fully paid GMEHK Shares were allotted and issued to Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Lo and Mr. Hui Wang Hing respectively at the then par value of the GMEHK Shares of HK\$1.00 each. Mr. Hui Wang Hing, who is an Independent Third Party, has never been involved in the day-to-day management and operation of GMEHK.
- (3) On 26 January 2004 prior to the commencement of business of GMEHK, Mr. Hui Wang Hing no longer wished to act as a shareholder of GMEHK. As a result, Mr. Hui Wang Hing transferred 75,000 GMEHK Shares, representing all of his shareholding in GMEHK and 5% of the then issued share capital of GMEHK to Mr. Boris Chuang for a nominal consideration of HK\$1.00.
- (4) On 16 January 2008, in recognition of Mr. Ng's prior service in GMEHK and in order to retain Mr. Ng, Mr. Boris Chuang transferred 150,000 GMEHK Shares, representing 10% of the then entire issued share capital in GMEHK, to Mr. Ng at a nominal consideration of HK\$150,000, which was determined with reference to the then par value of the GMEHK Shares of HK\$1.00 each.
- (5) On 2 June 2008, the then shareholders resolved to increase the then authorised share capital of GMEHK from HK\$1,500,000 to HK\$1,800,000 by the creation of 300,000 GMEHK Shares. On the same date, 30,000, 60,000, 60,000, 60,000, 60,000 and 30,000 fully paid GMEHK Shares were respectively allotted and issued to Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Lo and Mr. Ng at the then par value of the GMEHK Shares of HK\$1.00 each.
- (6) On 11 December 2014, in recognition of the services provided to GMEHK by Mr. Ho, who is one of the members of the senior management, Mrs. Chuang transferred 90,000 GMEHK Shares, representing 5% of the then entire issued share capital of GMEHK, as a reward to Mr. Ho at nil consideration.

HISTORY AND REORGANISATION

ACTING IN CONCERT DEED

On 21 March 2016, each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang executed the Acting in Concert Deed, pursuant to which, (i) each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang confirmed that, amongst other things, from 30 May 2002 (the date when all of the members of the Chuang Family became shareholders of GMEHK) up to the date when the Chuang Family transferred all of their shareholdings in GMEHK to GMEBVI as part of the Reorganisation: (a) they had been and would be parties acting in concert (as such term is defined in the Takeovers Code) and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of GMEHK; (b) they had given and would continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of GMEHK; (c) they had casted and would continue to cast their votes as directors and/or shareholders (as appropriate) collectively for or against all resolutions in all board and shareholders' meetings and discussions of GMEHK; and (d) they had cooperated and would continue to cooperate with one another to obtain and maintain and consolidate control and management of GMEHK.

Pursuant to the Acting in Concert Deed, each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang has confirmed and agreed that, from the date on which they would become Shareholders and until all parties thereto cease to have any shareholding in our Company, they would (a) act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group; (b) give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of our Group; and (c) cast unanimous vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of our Group; and (d) cooperate with one another to obtain and maintain and consolidate control and management of our Group.

DISPOSAL OF GME SHANGHAI

GME Shanghai was established in the PRC as a limited liability company on 22 May 2002 by GMEHK with a registered capital of HK\$1,200,000. It was set up for the purpose of conducting construction consulting business in the PRC but had ceased to operate all businesses since 2012. The business scope of GME Shanghai prior to cessation of business had included investment consulting, planning services, market investigation, information services, engineering and construction project management consulting and technology services.

HISTORY AND REORGANISATION

In order to streamline the corporate structure of our Group, on 11 September 2015, GMEHK entered into an agreement with an Independent Third Party buyer (the “**Equity Transfer Agreement**”), pursuant to which GMEHK transferred all the equity interest in GME Shanghai to the Independent Third Party buyer at a consideration of HK\$1,200,000 (“**Equity Transfer**”). As the business of our Group focuses on underground construction works in Hong Kong and GME Shanghai’s registered scope of business involves various services in the PRC, GME Shanghai was considered not strategically complementary to the principal territory of the operation of our Group. It was therefore decided not to include GME Shanghai in our Group.

On 18 April 2016, GMEHK and the Independent Third Party buyer agreed to revise the consideration for the Equity Transfer to nil under a supplemental agreement to the Equity Transfer Agreement (the “**Supplemental Agreement**”), with reference to the actual value of the net asset of GME Shanghai and the related liquidation costs incurred by the Independent Third Party buyer for the dissolution of GME Shanghai. As advised by our PRC legal advisers, the entry into of the Supplemental Agreement and the terms therein are valid and effective as between the parties under PRC law.

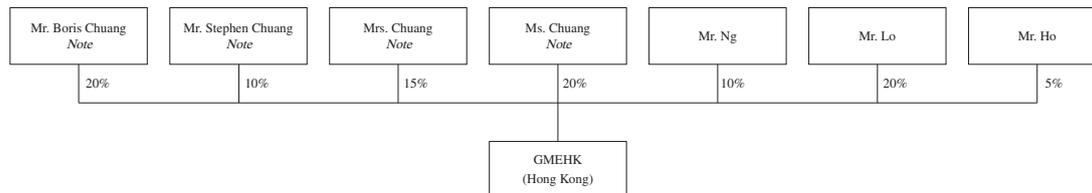
As advised by our PRC legal advisers, the disposal of GME Shanghai has been properly and legally completed and settled subject to the completion of (i) PRC tax payment based on the capital gains made by GMEHK (if any); (ii) approval/filing with the State Administration of Foreign Exchange; and (iii) the payment of the consideration of the Equity Transfer in a manner in accordance with PRC law, which should have been completed before the dissolution of GME Shanghai, but (i) and (ii) would highly unlikely be handled by the relevant authorities given the dissolution of GME Shanghai.

GME Shanghai was dissolved on 22 February 2016. As advised by our PRC legal advisers, the dissolution of GME Shanghai was legally valid under PRC laws.

HISTORY AND REORGANISATION

GROUP STRUCTURE PRIOR TO THE REORGANISATION

The corporate structure chart below illustrates the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



Note: Mrs. Chuang is the spouse of Mr. Stephen Chuang; Mr. Boris Chuang and Ms. Chuang are the adult children of Mr. Stephen Chuang and Mrs. Chuang. They have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period and in the course of the Reorganisation, and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) after the Listing.

REORGANISATION

We reorganised our corporate structure in preparation for and in connection with the Listing and the Placing. Following the Reorganisation, our Company became the holding company of our Group. The major steps of the Reorganisation are set out below.

Transfer of shares in GMEHK

On 17 December 2015, the following transfers of GMEHK Shares were effected:

- (a) Mr. Lo transferred 270,000 GMEHK Shares, representing 15% of the then entire issued share capital of GMEHK, to Mr. Stephen Chuang at a consideration of HK\$1,729,784.40 which was settled on the same date;
- (b) Ms. Chuang transferred 180,000 GMEHK Shares, representing 10% of the then entire issued share capital of GMEHK, to Mr. Boris Chuang at a consideration of HK\$1,153,189.60 which was settled on the same date; and
- (c) Mrs. Chuang transferred 90,000 GMEHK Shares, representing 5% of the then entire issued share capital of GMEHK, to Mr. Stephen Chuang at a consideration of HK\$576,594.80 which was settled on the same date.

The consideration of the aforesaid transfers was determined based on the audited net asset value of GMEHK of HK\$11,531,896 as at 31 December 2014 in the financial statements of GMEHK prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants. The reason for the aforesaid transfers was to concentrate the shareholding of GMEHK in the hands of Mr. Stephen Chuang and Mr. Boris Chuang.

HISTORY AND REORGANISATION

As a result of the above transfers of GMEHK Shares, Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho respectively held 540,000, 540,000, 180,000, 180,000, 180,000, 90,000 and 90,000 GMEHK Shares, representing 30%, 30%, 10%, 10%, 10%, 5% and 5% of the then total number of GMEHK Shares in issue.

Incorporation of our Company

Our Company, which was incorporated in the Cayman Islands as an exempted company with limited liability on 18 January 2016 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 15 March 2016, will act as the ultimate holding company of our Group upon completion of the Reorganisation. On its incorporation, its authorised share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One fully paid Share was issued to a subscriber at par value, and such Share was then transferred to Mr. Boris Chuang at par value on 18 January 2016. Upon the said transfer, our Company is owned as to 100% by Mr. Boris Chuang.

Incorporation of GMEBVI

GMEBVI was incorporated in the BVI with limited liability on 23 February 2016 and will act as the holding company of GMEHK. At incorporation, GMEBVI was authorised to issue a maximum of 50,000 no par value shares of a single class.

On 23 February 2016, one share in GMEBVI was allotted and issued as fully paid to the Company at HK\$1.00. Upon the allotment, GMEBVI is owned as to 100% by the Company.

Transfer of GMEHK to GMEBVI

On 17 October 2016, Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho as vendors together transferred all of their GMEHK Shares to GMEBVI in consideration of which our Company issued and allotted, credited as fully paid, 540, 539, 180, 180, 180, 90 and 90 Shares to Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho respectively, representing 30%, 30%, 10%, 10%, 10%, 5% and 5% of the then total number of issued shares in the Company (being the same as each of their shareholding percentage in GMEHK immediately prior to such allotment), pursuant to a sale and purchase agreement dated 17 October 2016 entered into between GMEBVI (as purchaser) and Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho (collectively as vendors and warrantors) and our Company. As a result, GMEHK became a direct wholly-owned subsidiary of GMEBVI.

HISTORY AND REORGANISATION

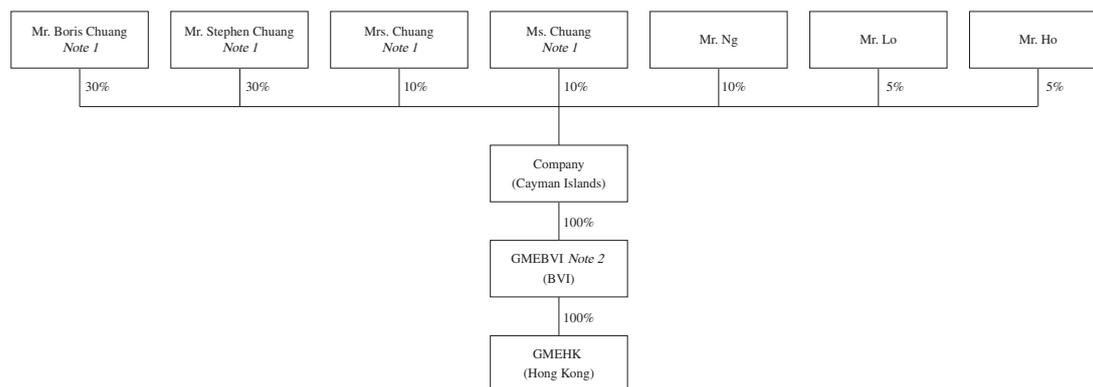
Increase of authorised share capital of the Company

On 10 February 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares of which the rights are identical to those of the existing Shares in all aspects pursuant to a resolution in writing passed by the Shareholders referred to under the paragraph headed “1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017” in Appendix V to this prospectus.

Each of the share allotment, issue and transfer regarding the Reorganisation mentioned above was properly and legally completed and settled.

GROUP STRUCTURE AFTER THE REORGANISATION AND BEFORE THE LISTING

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before the completion of the Placing and Capitalisation Issue was as follows:



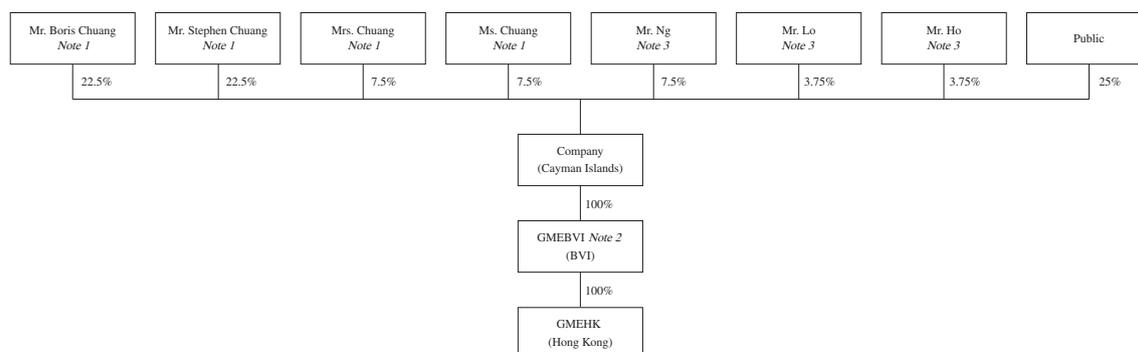
Notes:

1. Mrs. Chuang is the spouse of Mr. Stephen Chuang; Mr. Boris Chuang and Ms. Chuang are the adult children of Mr. Stephen Chuang and Mrs. Chuang. They have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period and in the course of the Reorganisation, and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) after the Listing.
2. GMEBVI is an investment holding company incorporated in the BVI. GMEBVI had no substantive business activities as at the Latest Practicable Date. Mr. Stephen Chuang and Mr. Boris Chuang were the directors of GMEBVI as at the Latest Practicable Date.

HISTORY AND REORGANISATION

GROUP STRUCTURE AFTER THE REORGANISATION AND UPON THE LISTING

The shareholding and corporate structure of our Group immediately after the Placing and the Capitalisation Issue will be as follows:



Notes:

1. Mrs. Chuang is the spouse of Mr. Stephen Chuang; Mr. Boris Chuang and Ms. Chuang are the adult children of Mr. Stephen Chuang and Mrs. Chuang. They have been parties acting in concert (having the meaning ascribed to it under the Takeovers Code) during the Track Record Period and in the course of the Reorganisation, and will continue to be parties acting in concert (having the meaning ascribed to it under the Takeovers Code) after the Listing.
2. GMEBVI is an investment holding company incorporated in the BVI. GMEBVI had no substantive business activities as at the Latest Practicable Date. Mr. Stephen Chuang and Mr. Boris Chuang were the directors of GMEBVI as at the Latest Practicable Date.
3. Mr. Ng, Mr. Lo and Mr. Ho will be considered as public shareholders and their shareholdings in the Company will be counted in the public float upon Listing.

BUSINESS

1. OVERVIEW

1.1 Our business

Our Group is an established subcontractor engaged in civil engineering works operating solely in Hong Kong. Our Group is principally engaged in the provision of underground construction services and mainly serves private main contractors in public sector infrastructure projects. Our Group has also been involved in some private sector projects. Public sector projects refer to projects in which the main contractors are employed by the Hong Kong Government, its statutory bodies or statutory corporations, while private sector projects cover all other types of engagements.

Our Group provides underground construction services, with a primary focus on two service lines: (i) tunnel construction (including excavation, shotcreting, shutter design and fabrication, tunnel lining services and advanced works); and (ii) utility construction and others (layout and refurbishment of gas pipes and structural works).

1.2 Our services

The underground construction services provided by our Group can be categorised into the following components, whereas individual engagements undertaken by our Group can comprise more than one of the following components:

1.2.1 Tunnel construction services

Tunnel construction is a branch of civil engineering concerning with the construction of underground enclosed tunnels, shafts, chambers, passageways and other related underground facilities such as railway stations and ventilation shafts. In terms of our Group's operations, this generally relates to (i) advanced works such as slope stabilisation around the tunnel, and the construction of shafts for transporting equipment; (ii) the main tunnel construction works, including excavation, shotcreting and concrete lining; and (iii) structural works such as the construction of ancillary buildings.

Advanced works

Advanced works in tunnel construction are mainly related to slope works, which are a type of civil engineering relating to the engineering behaviour of slopes, and using physical techniques such as soil nails to stabilise and reinforce slopes. In terms of our Group's operations, this generally relates to the advanced works required prior to the tunnel construction and more specifically, to reinforce the slopes above the tunnel opening in a mountain, or to provide a stable working environment for cut and cover tunnel construction.

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In our provision of slope works services, we mainly employ the soil nailing method which involves drilling holes on the slope, driving steel nails into the holes, and grouting concrete into the holes to stabilise the slope. We generally provide such services in conjunction with other tunnel construction-related works such as the construction of shafts as part of the preparation for the tunnel construction works.

Main tunnel construction works

Main tunnel construction works are a part of tunnel construction concerned with the construction of tunnels, and mainly consist of four stages, namely (i) excavation of rocks and soil; (ii) stabilisation of tunnel walls; (iii) design and fabrication of tunnel shutters; and (iv) in situ concrete lining. For excavation of rocks and soil, our Group mainly employs the drill and break or drill and blast methods to remove rocks. After the excavation, we would proceed to stabilise the exposed tunnel walls by using a method called wet shotcreting, which involves spraying a layer of concrete-like material on the tunnel walls to stabilise the tunnel structure and prevent loose rocks from falling down. We would then proceed to the design and fabrication of steel tunnel shutters, which subsequently act as a mould for the concrete lining. Lastly, we implement in situ concrete lining, which involves pouring concrete into the lining between the shutters and the tunnel walls, forming the final structure of the tunnel and the surface of the tunnel walls.

Structural works

Structural works are a branch of civil engineering concerned with the analysis and design of structures that support or resist loads.

In terms of our Group's operations, this mainly relates to the construction of ancillary buildings, and permanent or temporary support structures which usually form part of a larger tunnel construction project. Our Group's operations include, but are not limited to, the construction of ancillary buildings such as plant rooms, workshop buildings and sewage-treatment plants. To complete the construction of ancillary buildings, our Group (i) designs and provides supporting calculations for temporary and permanent structures; (ii) provides temporary falsework as working platforms; (iii) provides temporary formwork installation services; and (iv) provides concreting services.

In terms of our Group's operations, our tunnel construction projects may sometimes only contain one, a few, or all of the abovementioned procedures.

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1.2.2 Utility construction services and others

Utility construction services are a branch of civil engineering relating to the construction and refurbishment of underground utility works including gas pipelines and electricity cables. In terms of our Group's operations, we mainly provide underground utility construction and refurbishment services relating to underground gas pipelines.

Our Group is also engaged in the provision of other general structural and slope works apart from those mentioned under the paragraphs headed "Advanced works" and "Structural works" above. Such general structural or slope works would not be related to, or form part of, the tunnel construction projects. Our Group has been engaged by customers from both private sector and public sector on the provision of such general structural and slope works.

1.2.3 Seasonality

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

1.3 Our market and competition

For a full analysis of the market in which we operate, and the nature of the competition in our market, please refer to the section headed "Industry overview" of this prospectus.

1.3.1 Public sector projects

Public sector projects refer to those projects which are undertaken by departments of the Government, statutory bodies or statutory corporations. During the Track Record Period, for the majority of public sector projects we had participated in, we were engaged by the main contractors to carry out tunnel construction services as a subcontractor. Services provided by our Group in relation to tunnel construction include (i) excavation of rocks through drill and blast or drill and break techniques; (ii) stabilisation and smoothening of tunnel walls through wet-shotcreting; (iii) design and fabrication of tunnel shutters; and (iv) in situ tunnel concrete lining.

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As all the necessary licences required for the tunnel construction projects which our Group is involved in are obtained by the relevant main contractors, there is no particular licence required to be obtained by our Group before commencing our provision of tunnel construction services as a subcontractor. However, for main contractors of public sector projects, they are required to engage subcontractors who are registered under the Subcontractor Registration Scheme of the Construction Industry Council. Therefore, our Group has applied for and is registered under such scheme. Furthermore, certain licences or permits might be needed to be obtained by our Group's individual workers in some projects.

Other public sector projects undertaken during the Track Record Period include (i) advanced works; and (ii) utility construction and others.

1.3.2 Private sector projects

Private sector projects refer to all the projects which are not public sector projects. During the Track Record Period, our Group had provided (i) structural works; (ii) slope works; and (iii) refurbishment works services in connection with private sector projects we were involved in.

1.4 Customers and subcontractors

Our customer base comprises entirely private entities, which includes main contractors and property owners. It should be noted that the nature of our customers do not correspond precisely with the public sector or private sector projects as referred above since a private customer may engage us in a public sector project. For example, when a private main contractor engages us in a public sector project, such a main contractor would still be categorised as a private customer.

During the Track Record Period, in certain circumstances when specialised services that require licences or permits were required, or where it was decided by our Directors that it was necessary or expedient to our Group's operations, we engaged subcontractors. For more details, please refer to the paragraph headed "Subcontractors" in this section of the prospectus.

BUSINESS

2. COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

2.1 Competitive strengths

We believe that our competitive strengths, as set out below, have benefitted our operations during the Track Record Period.

For further details relating to the competitive landscape of the tunnel construction industry in Hong Kong, please refer to the section headed “Industry overview” of this prospectus.

2.1.1 We provide integrated services for tunnel construction

Our Group has the experience and capability to provide a comprehensive range of tunnel construction services, from the excavation of rocks using drill and blast or drill and break methods, the stabilisation of tunnel walls through wet-shotcreting, the design and fabrication of customised tunnel shutters, to the in situ concrete lining finishing of the tunnel. Our Group is also experienced in and capable of providing advanced works services relating to tunnel construction such as slope stabilisation and the construction of shafts, and structural works services including the construction of ancillary buildings.

Our comprehensive range of tunnel construction services helps us to cross-sell our services to customers. Our Group mainly uses direct labour in tunnel construction projects which allows us to better manage our work quality. A tunnel construction project may include various types of works which sometimes require main contractors to engage several different subcontractors, our Directors, however, are of the view that it will be more convenient and economical for main contractors to engage one single subcontractor for the entire tunnel construction project, therefore gives our Group a competitive edge by offering integrated services as a whole package for tunnel construction. Our Group has yet to undertake a tunnel construction project as the sole subcontractor during the Track Record Period due to the fact that the scale of public infrastructure projects our Group has historically participated in has been large. Nonetheless, our Directors consider such integrated services would still allow our Group to price more competitively due to savings from its vertical integration, and potentially capture revenue across the entire tunnel construction value chain. According to the Euromonitor Report, across the range of tunnel construction tender projects awarded by main contractors to subcontractors over the 2014 to 2015 period, subcontractors were usually found to be employed in one specialised service for a

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single contract, rather than for multiple service operations. Coupled with the fragmented market of subcontractors in tunnel construction industry in Hong Kong, and that no particular licence is required on the part of subcontractors to undertake tunnel construction works for licensed main contractors, our Directors are of the view that it is common for subcontractors to be only capable of performing parts of the tunnel construction works due to limited expertise, capacity and resources. During the Track Record Period, our Group had participated in Project Q, in which we were engaged to provide tunnel shotcreting services in relation to the construction of a tunnel for a cross border bridge connecting Hong Kong and China. We were subsequently engaged in Project A to provide drill and break services for the same tunnel. Our Group had also participated in Project H, in which we were engaged to provide tunnel lining services, and was subsequently being engaged for drill and blast services in Project L for tunnel construction in the same location. Our Directors are of the view that our Group's ability to offer integrated services for tunnel construction has assisted in securing more projects, and allowed for better utilisation of our resources and workers due to vertical integration.

While our Group has the experience and capability to provide a comprehensive range of tunnel construction services, we are particularly recognised as a specialist in the drill and blast method in tunnel construction. According to the Euromonitor Report, we are one of the five major subcontractors in Hong Kong to offer drill and blast services in tunnel construction. Our Directors believe that our Group's capability to undertake more comprehensive aspects of works in tunnel construction and our specialities in drill and blast method had contributed and will continue to contribute to the increase in the number of business opportunities available to our Group, and to further distinguish our Group from other players in the industry.

2.1.2 We have a qualified and experienced management team, which is capable of offering comprehensive services and tailored solutions to our customers

Our executive Directors have over 15 years of industry experience and have amassed significant working knowledge of the industry over their careers.

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Mr. Stephen Chuang has over 40 years of experience in the civil engineering industry and was involved in construction works at Ocean Park, Second Lion Rock Tunnel and other construction projects in Hong Kong and China. Mr. Boris Chuang had prior experience in a leading construction consulting firm where he was involved in certain Hong Kong Government projects and Kowloon-Canton Railway Corporation projects, and therefore has the experience in project management and can provide professional opinions and construction solutions in relation to tunnel construction projects. Our Directors believe that our management's technical expertise and professional knowledge of the industry have been our Group's valuable assets and will continue to strengthen and increase our competitiveness in the industry. For further details of their experience and qualifications, please refer to the section headed "Directors, senior management and employees" of this prospectus.

2.1.3 Our commitment to maintain safety standard, quality control and environmental protection

Our Group places considerable emphasis on complying with the main contractors' safety standards and quality control as such compliance can directly affect our reputation, service quality and profitability. Our management system has been certified to be in accordance with the standard required under ISO 9001:2008 (quality management) since 2009. Our Directors believe that since the quality of our management system is a key assessment criteria for our customers, our effective management systems and compliance track record would help to improve our overall service quality and profitability.

2.1.4 We have close and longstanding relationships with leading tunnel construction companies in Hong Kong

Our Group has established relationships with several leading tunnel construction companies in Hong Kong which have helped to contribute to our Group's revenue. Out of the estimated 25 tunnel construction-related contracts released under the "Ten Major Infrastructure Projects" set out in the 2007-2008 Chief Executive's Policy Address, our Group had been invited to participate as a subcontractor in five of them. In Hong Kong's tunnel construction industry, our Group's strong relationships with the main contractors on large infrastructure projects helped us to strengthen our revenue position in the market.

BUSINESS

2.2 Business objectives and strategies

Our Group intends to expand our business through the following business strategies, which are in line with our business objectives.

2.2.1 Further develop our reputation as a quality provider of integrated tunnel construction services

Our Group plans to continue to strengthen our reputation within the industry as a provider of high quality underground construction services, capable of offering integrated tunnel construction services to our customers and providing professional opinions on the project to augment implementation. To achieve this goal, it is necessary to continue to employ trained personnel and recruit additional experienced employees to ensure each project is competently and efficiently completed. Our Group will also purchase certain machinery for site operations to allocate our resources more effectively in the future which will further develop and enhance our reputation as a quality provider of integrated tunnel construction services. Please refer to the section headed “Future plans and use of proceeds” of this prospectus for our implementation plans of the net proceeds to be raised from the Placing.

2.2.2 Line extension into other high-value construction services, such as marine construction works – mainly for public construction projects

Our Group would like to increase our activities in certain areas of the industry such as the provision of marine works and underwater construction services. Our Group has already arranged some existing workers to attend marine works courses. We have also established connections with a major construction equipment supplier in relation to marine works and underwater construction services. Going forward, we plan to work with the main contractors and to participate in the tendering process for marine works in Hong Kong. Furthermore, to achieve this goal, our Group will use net proceeds from the Placing to purchase machinery which can support our tunnel construction works as well as marine works in order to increase our Group’s capacity to undertake ordinary and high-value construction projects. For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

Additionally, our Directors are constantly evaluating opportunities within the underground construction industry and seeking profitable areas in which we could develop, broaden or commence operations.

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2.2.3 Increase the efficiency of our operations in order to better serve our customers and improve our financial results

Our Directors regularly monitor and review our operational performance, and consider methods of maximising the efficiency of our Group's operations. To this end, during the Track Record Period, we had implemented our activity and cost management system and dedicated resources to collect data from various construction sites manually on a weekly basis. Due to the implementation of the activity and cost management system, our Group could regularly monitor and review our operational performance, which had partly contributed to the increase of our Group's net profit margin from approximately 7.4% during the year ended 31 December 2014 to approximately 18.8% during the year ended 31 December 2015. During the eight months ended 31 August 2015 and 2016, we recorded a net profit margin of approximately 14.4% and 5.9%, respectively. We experienced a decrease in net profit margin of approximately 8.5% during the eight months ended 31 August 2016 as we recognised non-recurring listing expenses of approximately HK\$6.3 million. Excluding the impact of such listing expense, we would have recorded a net profit margin of approximately 13.4% for the period. For more details of our profit margin, please refer to the paragraphs headed "Gross profit and gross profit margin" and "Net profit and net profit margin" in the section headed "Financial information" of this prospectus.

Going forward, our Group plans to upgrade our information technology and project management systems to further improve the cost efficiency and strengthen the activity management of our Group's operations. Our Group plans to use part of the proceeds from the Placing for the rental expense of our newly rented office in order to accommodate our business plan of expanding our local business operations and possible recruitment of experienced staff. For further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

BUSINESS

3. PROJECT PROCESS

During the Track Record Period, all of our customers are private entities. Below we set out an operational flowchart detailing the standard project process for each project. Whilst the stages of certain projects may occur in a slightly different order or slightly differ, this is the general process of our projects:



BUSINESS

3.1 Invitation to tender

Our Group is invited to tender for projects by our customers. The invitation generally contains certain information regarding the potential project including the address of the site, site area, drawings and bills of quantities; however, the level of detail of such information provided can vary widely. For some of our customers, we will be given a full set of construction plans along with supporting drawings and bills of quantities, while other customers may only provide preliminary information such as the nature of work required and the approximate size of the project. Our Directors believe the variation in details provided by our customers does not affect our Group's process in preparing the tender. Our Directors and senior management will review the invitation and the basic information provided by the customer and discuss internally whether to submit a tender and the contract price of the tender to be submitted. When considering whether to submit a tender, our Directors will also consider the profit margin, complexity of the project, and our Group's capacity and internal resources.

3.2 Initial costing and method statement

Our quotations will generally be on a cost-plus pricing basis. Our Directors and senior management calculate a tender price and formulate a method statement including the method of construction and the proposed schedule, after taking into account, amongst other things, the expected labour and material costs, machinery and equipment rental costs, the complexity of the project, the expected timeframe of the project, prevailing market conditions, the location of the site and the reliability and credit-worthiness of the customer. For more details on our pricing policy, please refer to the paragraph headed "Pricing" in this section of the prospectus.

As stated under the paragraph headed "Pricing" in this section of the prospectus, one of the factors taken into consideration when submitting a quotation or tender for a potential project is the estimation of available manpower. Accordingly, when our Group's resources and manpower are substantially under-deployed, our Directors may decide that it is beneficial to quote relatively lower fees to increase our chance of being successfully awarded with the project and thereby increase the utilisation of our resources.

Our Directors will also consider the profit margin of the project and the number of projects on hand when submitting a quotation or tender. Accordingly, when our Directors consider the opportunity cost of undertaking a project is too high, they may decide that it is not worth deploying resources, manpower, effort and time into it.

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3.3 Price negotiations

After submission of the tender, our Group will first present our tender along with our method statement to the engineering and surveying team of our customer for their consideration. Upon analysis and comparisons conducted by our customer, our Group may be required to present our tender to the senior management of our customer for their review. During this process, through comparison with other tenders received, our customers will negotiate the tender price with our Group.

3.4 Contracts awarded

After analysis of the received quotations and possible multiple price negotiations, the customer may provide us with a letter of award, or simply an indication of award. During the Track Record Period and up to the Latest Practicable Date, the number of contracts successfully awarded to our Group out of the total number of tenders submitted were as follows:

	For the year ended		For the eight	From
	31 December		months	1 September
	2014	2015	ended	2016 to
			31 August	the Latest
			2016	Practicable Date
Number of submissions	18	48	30	6
Awarded contracts				
(As at the Latest Practicable Date)	5	11	9	–
Aggregate contract sum of awarded contracts				
(As at the Latest Practicable Date)	HK\$33.2 million	HK\$101.2 million	HK\$85.3 million	–
Success rate				
(As at the Latest Practicable Date)	27.8%	22.9%	30.0%	–

It should be noted that the above success rates do not reflect matters such as the type, size and contract value of projects bid for and awarded in each period. However, we set out the above to give prospective investors a general idea of the submission success rates recorded by our Group.

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As stated under the paragraph headed “Pricing” in this section of the prospectus, one of the factors taken into consideration when submitting a tender for a potential project is the estimation of available manpower. Accordingly, when our Group’s resources and manpower are substantially deployed, our Directors may quote a relatively higher price in order to make more profitable use of the remaining available manpower. Conversely, at times when our Group has spare capacity, our Directors may decide that it is beneficial to quote relatively reduced prices to increase our chances of being successfully awarded with the project and thereby increase the utilisation of our resources.

Taking into account the above and our profit recognised during the Track Record Period, it is evident that the number of submissions and the success rates have no direct relationship with the financial or operational performance of our Group. In particular, our Directors would consider the costs and benefits of undertaking projects with time constraints, during periods when our Group is particularly tight in capacity, it is possible that our Directors may increase quotation prices, thereby affecting our tender success rates.

3.5 Project preparation & kick off

After we receive the letter of award, our Directors and senior management will assign appropriate staff to the project by matching their skills with the project requirements.

At this stage or the later on in the process, our Group will also engage our own subcontractors if required by the project. For further details of subcontracting, please refer to the paragraph headed “Subcontractors” in this section of the prospectus.

3.6 Project execution

Our employees will execute the project in accordance with our proposal as well as the work procedures and work safety measures required by our customers.

During execution, we may be required by our customers to perform additional works not included in the agreed scope of the project. In such event, our customers will issue a variation order with additional fee to us. For further details, please refer to the paragraph headed “Variation orders” in this section of the prospectus.

3.6.1 Procurement of materials and arrangement of the required machinery and equipment

The construction materials that we use for our projects consist of concrete, steel rebar, timber and other materials. In line with the requirements set out in the bills of quantities relevant to each project, we will place orders with our suppliers to lease the required equipment and purchase the required materials, unless otherwise specified by our customers.

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In addition, some of our works may involve usage of machinery and heavy equipment. We will determine the types of machinery and equipment to be used at various stages of our projects and arrange the respective rental of machinery and equipment to our various project sites. For further details, please refer to the paragraphs headed “Suppliers” and “Quality control” in this section of the prospectus.

3.6.2 In-house quality inspection and supervision

In-house quality inspection and supervision are carried out on an on-going basis throughout the execution of the project by our staff to ensure compliance with our customers’ specifications and requirements. For further details, please refer to the paragraph headed “Quality control” in this section of the prospectus.

3.6.3 Inspection and approval by our customers and issuance of invoice

Our Group’s contracts normally require our customers to make progress payments on a monthly basis based on the amount of work done. Once our Group has submitted an interim payment invoice, the on-site engineers and/or quantity surveyors of our customers will verify the amount of work done. Once both parties agreed with the amount of work done, the customer will certify the interim payment invoice.

3.6.4 Review and payment by customers

After the interim payment invoice is certified by our customers, our customers will normally execute payment to us. A portion of each payment, normally at 5 to 10%, may be withheld by our customers as retention money depending on the agreement with the individual customer, and is released to us normally in batches, in which the first half will be released upon project completion and certification of final interim payment invoice and/or the issuance of the final account, while the remaining amount will normally be released within one year after project completion. For further details, please refer to the paragraph headed “Retention money” in this section of the prospectus.

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4. PROJECTS

The following tables set out a breakdown of the projects participated by our Group during the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, and the revenue recognised attributable to public sector tunnel construction projects, public sector utility construction and other projects, and private sector projects:

	During the year ended 31 December 2014			During the year ended 31 December 2015			During the eight months ended 31 August 2015			During the eight months ended 31 August 2016		
	No. of projects brought forward	Revenue recognised for projects brought forward HK\$'000	No. of newly commenced projects	Revenue recognised during the year HK\$'000	No. of projects brought forward	Revenue recognised for projects brought forward HK\$'000	No. of newly commenced projects	Revenue recognised during the year HK\$'000	No. of projects brought forward	Revenue recognised for projects brought forward HK\$'000	No. of newly commenced projects	Revenue recognised during the period HK\$'000
Public sector projects												
Tunnel construction	3	28,749	3	21,500	4	50,249	5	44,418	4	44,418	1	578
Utility construction and others	2	39,343	1	1,327	2	40,670	2	11,790	2	11,790	1	621
Subtotal	5	68,092	4	22,827	6	90,919	7	56,208	6	56,208	2	1,199
Private sector projects (Note)	1	576	1	2,698	-	3,274	2	-	-	-	3	4,220
Total	6	68,668	5	25,525	6	94,193	9	56,208	6	56,208	5	5,419
Public sector projects												
Tunnel construction	4	35,679	3	2,827	4	38,506	1	76,729	4	76,729	1	578
Utility construction and others	2	9,316	-	-	3	9,316	1	2,598	3	2,598	1	621
Subtotal	6	44,995	3	2,827	7	47,822	2	79,327	7	79,327	2	1,199
Private sector projects (Note)	-	-	2	3,350	1	3,350	3	48	1	48	3	4,220
Total	6	44,995	5	6,177	8	51,172	5	79,375	8	79,375	5	5,419

Note: Private sector projects refer to all projects which are not public sector projects. During the Track Record Period, our Group had provided (i) structural works; (ii) slope works; and (iii) refurbishment works services in connection with the private sector projects we were involved in.

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As shown in the table above, the total contribution of revenue generated by tunnel construction projects to our Group's total revenue had generally increased during the Track Record Period and had contributed a significant part of our Group's revenue. The increase in revenue contributed by tunnel construction projects was mainly due to the increase in capacity of our team and the development of our reputation in the tunnel construction industry.

The overall gross profit of our Group has also increased during the Track Record Period. It was mainly due to the increase in number of tunnel construction projects undertaken, which are generally higher profit margin in nature. Our Group has also been improving its operational efficiency and cost control throughout the Track Record Period which also contributed to the increase in our Group's profitability. As we had increasingly focused on tunnel construction projects, the revenue recognised for our utility construction projects had accordingly decreased.

Set out below is a table showing the number of projects in progress as at 31 December 2014 and 2015 and 31 August 2016. The corresponding revenue by type of projects recognised for the three months ended 30 November 2016 and the remaining revenue to be recognised on or after 1 December 2016 is also set out in the table below:

	As at 31 December 2014		2015		As at 31 August 2016		Revenue recognised for the three months ended 30 November 2016 HK\$ million	Estimated revenue to be recognised on or after 1 December 2016 HK\$ million (Note 1)	Total amount including amounts recognised and expected to be recognised as revenue HK\$ million (Note 2)
	Number of projects (Note 1)	Remaining revenue to be recognised HK\$ million (Note 1)	Number of projects (Note 1)	Remaining revenue to be recognised HK\$ million (Note 1)	Number of projects (Note 1)	Remaining revenue to be recognised HK\$ million (Note 1)			
Public sector projects									
• Tunnel construction	4	31.0	4	80.4	5	48.5	37.6	10.9	166.9
• Utility construction and others	2	15.8	3	12.7	2	15.7	1.4	14.3	17.1
Sub-total	6	46.8	7	93.1	7	64.2	39.0	25.2	184.0
Private sector projects	-	-	-	-	1	0.3	0.3	-	1.0
Total	6	46.8	7	93.1	8	64.5	39.3	25.2	185.0

Notes:

- The number of projects and remaining revenue to be recognised as at a particular year/period end may include those projects that existed in previous year ends.
- The amount of revenue that the Company has recognised as well as the amount of revenue that the Company expects to recognise in the future for those projects mentioned in the table.

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Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had secured three new projects which have a total contract value of approximately HK\$69.6 million. The remaining revenue to be recognised as at 30 November 2016 for these new contracts is approximately HK\$66.3 million. Including the projects secured after the Track Record Period, there were eight projects in progress from public sector customers as at the Latest Practicable Date.

Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as bad weather conditions, industrial accidents, variation orders requested by customers, etc., if any), the duration of a contract (from the date of engagement to the date of completion) could generally range from a few months to three years.

Our customers primarily are main contractors of various different types of civil engineering projects in Hong Kong including public sector and private sector projects. The majority of our revenue during the Track Record Period was derived from public sector projects.

During the Track Record Period and up to the Latest Practicable Date, we had completed 20 projects in total.

5. CUSTOMERS

Characteristics of our customers

Our customers are primarily main contractors and their joint ventures engaging in various types of construction or civil engineering projects in Hong Kong. For the two years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, there were six, nine and seven customers who contributed to our revenue respectively. All these customers are located in Hong Kong and all of our service fees are denominated in Hong Kong dollars. It should be noted that the number of our customers during each year/period may vary due to the different stages and sizes of the projects awarded by them.

Recurring customers

Our Directors are of the view that our experience and skillset as well as the high quality and competitive pricing of our services have led to a substantial proportion of our projects coming from recurring customers during the Track Record Period. Our Group served a total of six, nine and seven customers for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, of which five, six and four were recurring customers. Such recurring customers represented 83.3%, 66.7% and 57.1% of our total number of customers for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively, which contributed 93.9%, 81.0% and 98.4% revenue of our total revenue recognised for the respective years/periods.

Whilst we maintain a substantial proportion of recurring customers, it is also our Group's goal to continuously seek and form new business relationships.

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Major customers

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

For the year ended 31 December 2014

Customer ⁽¹⁾	Types of project (Public or private sector)	Revenue HK\$'000	% of our total revenue %	Number of projects during the year ⁽²⁾	Year of commencement of business relationship
Customer A	Public sector	35,004	37.2	2	2012
Customer B	Public sector	32,656	34.7	2	2011
Customer C	Public sector	12,155	12.9	2	2005
Customer D	Public sector	5,738	6.1	1	2014
Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Ltd.)	Public sector	5,367	5.7	2	2014
Total		90,920	96.6		

For the year ended 31 December 2015

Customer ⁽¹⁾	Types of project (Public or private sector)	Revenue HK\$'000	% of our total revenue %	Number of projects during the year ⁽²⁾	Year of commencement of business relationship
Customer B	Public sector	27,185	33.7	4	2011
Customer C	Public sector	17,566	21.8	4	2005
Customer A	Public sector	12,794	15.9	1	2012
Customer D	Public sector	11,700	14.5	1	2014
Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Ltd.)	Public sector	6,505	8.1	1	2014
Total		75,750	94.0		

For the eight months ended 31 August 2016

Customer ⁽¹⁾	Types of project (Public or private sector)	Revenue HK\$'000	% of our total revenue %	Number of projects during the period ⁽²⁾	Year of commencement of business relationship
Customer B	Public sector	49,419	58.3	4	2011
Customer C	Public sector	29,926	35.3	3	2005
Customer F	Private sector	3,520	4.2	2	2011
Customer J	Private sector	700	0.8	1	2016
Customer I	Public sector	621	0.7	1	2016
Total		84,186	99.3		

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Notes:

- (1) Entities within the same group are regarded as one single customer. When we are engaged by joint ventures, which usually comprise two or more companies, the joint venture partner who refers the respective project to our Group is considered as our customer for that project.
- (2) A project refers to any project for which revenue has been recognised or direct costs have been incurred during the year/period.

Set out below is the background information of our five largest customers during the Track Record Period:

Customer A

A reputable construction specialist and property management and development enterprise in Hong Kong. It is specialised in construction, encompassing building construction, civil engineering, infrastructure through joint ventures and overseas construction in Asia.

Customer B

One of the largest construction contractors in Hong Kong, providing building construction and civil engineering works. It has participated in projects in Hong Kong, Macau, China and overseas for over 30 years.

Customer C

A construction conglomerate based in Hong Kong, offering construction solutions and services in Hong Kong, China and Southeast Asia. It is known for its strong technical teams, and has employed over 8,000 staff.

Customer D

An international enterprise, offering waste management services with operations in Hong Kong, Macau, Taiwan and China. It offers, amongst other services, waste collection, construction and operation of compost and street cleansing.

Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Ltd.)

One of the top construction companies in Hong Kong with more than 100 professional engineers and supported by over 1,000 staff. Its construction services include building construction, civil engineering and environmental construction, with a great variety of projects in both the private and public sectors.

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Our Group had secured new projects mainly through the submission of tenders to our customers during Track Record Period. Our Directors are of the view that given our technical expertise, reputation and relationships with our existing customers, we do not rely on marketing and promotional activities to secure new projects. Our executive Directors and senior management are generally responsible for maintaining our relationships with our customers and keeping abreast of any market development and potential business and expansion opportunities.

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

Customer concentration

For the years ended 31 December 2014 and 2015 and the eight month ended 31 August 2016, the percentage of our total revenue attributable to our largest customer amounted to approximately 37.2%, 33.7% and 58.3% respectively, while the percentage of our total revenue attributable to our five largest customers amounted to approximately 96.6%, 94.0% and 99.3%, respectively. It is also noted that the composition of our Group's five largest customers as a whole was the same albeit changes in terms of their positions in the list for the years ended 31 December 2014 and 2015. Three of our Group's top five customers for the eight months ended 31 August 2016 were not any of our Group's five largest customers for the years ended 31 December 2014 and 2015. For the risk relating to customer concentration, please refer to the section headed "Risk factors" of this prospectus. According to the Euromonitor Report, it is common for first tier subcontractors who directly contract with main contractors in the tunnel construction services industry to rely on a few main contractors for their revenue generation, given the concentrated nature of the tunnel construction industry. Our Directors consider that our Group's business model is sustainable despite such customer concentration due to the following factors:

- i. when engaged by joint ventures formed by different main contractors, we have classified our customer as the joint venture partner who referred the respective project to us. Under such classification, our Group's customer base covers three out of the top eight leading tunnel construction main contractors in Hong Kong for the year ended 31 December 2015. If we were to include also the other joint venture partners as our Group's customers, our Group's customer base would cover six out of those top eight main contractors in the tunnel construction industry in Hong Kong. The market share of our Group's customers would amount to approximately 50.9% for the year ended 31 December 2015;

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- ii. our Group operates in an industry which is concentrated in nature and there is a relatively small pool of potential customers; we have existing business relationships with six out of the eight major main contractors in the industry which the eight players collectively have market share of approximately 74.3% for the year ended 31 December 2015;
- iii. our Group possesses the necessary skills (including its operational flexibility in offering services for various parts of a tunnel construction project), experience, reputation and network to also source projects from other main contractors in the industry which we had not previously worked with, as evidenced by their invitation to our Group for submission of tenders;
- iv. our customer base is likely to further expand as our Group continues to tender for more projects with new customers and our capital base and resources expand after the Listing;
- v. the stable growth of tunnel construction industry coupled with our Group's proven track record and experience will allow our Group to maintain our revenue growth;
- vi. while our Directors consider that our Group does not have a mutual and complementary relationship with our major customers, we consider that we have close business relationships with our customers and they are willing to continuously engage our Group:
 - our Group served a total of six, nine and seven customers for the years ended 31 December 2014 and 2015, and the eight months ended 31 August 2016, of which five, six and four were recurring customers respectively;
 - our Group has been invited by our customers to participate in pre-tenders for various tunnel construction projects, thereby our Directors consider it will increase our Group's probability of securing the subcontracting works;
- vii. our Directors would like to highlight that given (i) the main contractor relies primarily on the subcontractor for technical planning and project implementation; (ii) our Group possesses knowledge regarding relevant stages of a project as well as established methodology regarding the project, there will be a considerable delay in the project if the main contractor chooses to change the subcontractors; and (iii) some systems tailor-made by us for the project such as concrete delivery system and lining shutter cannot be replaced with other market products, and will take a considerable time and cost for the main contractor or the replacement subcontractor to rebuild such tailor-made system for the project, therefore it is unlikely that a subcontractor would be substituted by another subcontractor when the project has commenced and is ongoing; and

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viii. our Group experienced a strong demand for our services especially for underground construction services from a wide range of customers during the Track Record Period as evidenced by the number of tender invitations that we received from customers during the Track Record Period. Our Group has received 30, 61 and 50 tender invitations for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively. Out of the tender invitations received, our Group has submitted tenders for 18, 48 and 30 projects for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 respectively taking into account the project size, profit margin, and our Group's internal resources deployment. Our Group believes that our proven track record, increasing experience and reputation in the underground construction industry and our capacity in undertaking various parts of tunnel construction would allow us to continue to experience strong demand for our services and to capture more opportunities for larger scale projects in the future.

Our Group has been diversifying our service lines within our core tunnel construction services business, by providing integrated underground construction services including advanced works, excavation, shotcreting, design and fabrication of tunnel shutters, in situ tunnel lining and construction of ancillary structures in connection with tunnels. This allows our Group to enter into tunnel construction projects at different stages, thereby increasing our Group's chances of securing tunnel construction projects.

Our Group also provides services for our customers in other construction projects during the Track Record Period. We have provided slopeworks, shotcreting and other structural construction services for our customers amounting to a project sum of approximately HK\$88.4 million during this period.

Our Group is pursuing line extension into related service areas such as marine construction and underground utility construction. Our Group has secured a contract sum of approximately HK\$12.3 million and HK\$68.4 million for underground utility construction projects and marine construction projects, respectively, during the Track Record Period and up to the Latest Practicable Date. Our Group has arranged our workers to attend marine construction courses to increase our competitiveness in this area.

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Our Group has been diversifying our customer base by actively submitting tenders to new customers that our Group has not worked with before. For the eight months ended 31 August 2016 and up to the Latest Practicable Date, our Group has bid for underground construction and slope work projects with nine potential new customers, and we have secured four new contracts from three of these potential new customers of an approximately HK\$75.6 million contract sum in total. The total revenue to be recognised for these new customers amount to approximately HK\$74.3 million after the Track Record Period. Taking into account the overall prospect of the industry, with the expected growth of approximately 10.6% CAGR from 2016 to 2020 in the tunnel construction industry according to the Euromonitor Report, our Directors consider that our Group would be able to sustain our profit growth notwithstanding our concentrated customer base during the Track Record Period.

Pricing

Our pricing is determined based on a cost-plus pricing model on a project-by-project basis. We estimate our cost of undertaking a project with reference to various factors including, but not limited to, (i) the nature, scope, scale and complexity of the project; (ii) the estimated number and types of workers and site equipment required; (iii) the construction methods and techniques expected to be employed for the project; (iv) the completion date requested by the customer; (v) the estimated construction material costs with reference to the relevant price indicators on the material index; and (vi) the prevailing market conditions in general. While preparing the estimation for material cost, we will make reference to the relevant price indicators on the material index. Our Group would, whenever considered appropriate or necessary, obtain quotations from our suppliers (on certain occasions approximately one week prior to the submission of the tender) for preparation of the bills of quantities or schedule of rates, which would form part of our tender submissions and govern the relevant material costs for a project.

Furthermore, we determine a markup over our estimated cost on a project-by-project basis. This markup percentage may vary for different projects, taking into account factors such as (i) the size of the project; and (ii) the likelihood of any material deviation of the actual cost from our estimated cost having regard to the types and amount of labours, site equipment, materials and other resources involved in our cost estimations.

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Major terms of project

Our Group is engaged by our customers on a project-by-project basis, and there is no long-term agreement between our Group and our customers. Contracts entered into between our customers and us generally contain, amongst other things, contract price, contract period, the type and scope of work, bills of quantities or schedule of rates, payment terms, retention money, liquidated damages, indemnities and insurance policies. The following paragraphs summarise the major terms in contracts with our customers:

Contract period

The contract period refers to the period within which the project has to be completed from the date when we are allowed to commence work at the construction site. The contract period varies for different project depending on the project size and complexity and may be extended by a mutual agreement between us and the main contractor.

Bills of quantities or schedule of rates

Most of our contracts would include the bills of quantities or schedule of rates which generally contain descriptions of the types of works, specifications and quantities of works to be carried out, and the unit rates for each type of works under the project.

Variation orders

Our customers may sometimes issue a variation order, which is an agreement altering the scope of works of the contract in the form of an addition, substitution or omission from the original scope of works. In terms of our Group's operations, the variation order may include, but not limited to, alterations to the design, quantities of materials, quality of work required, working conditions, sequence of work or timetable.

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Payment terms

For the interim payment, we generally provide our customers with a written statement of the details of completed works, the estimated fee of our work done, the costs of the materials delivered to the site and other expenses under the contract or any variation order on a monthly basis. The customer will then certify our estimated fee by verifying our work done. In respect of the final payment, we usually issue a final account showing the amount we are entitled to for our customers' approval. Normally, a credit period of 21 to 60 days is granted to our customers, and the amount is usually settled by cheque.

Retention money

Under the contracts, our customers generally hold up a certain percentage of each interim payment made to us as retention money. In general, our customers may retain up to approximately 5% to 10% of the contract value as the retention money for a project. 50% of the withheld retention money is normally released to us upon our completion of a project and the remaining retention money is normally released six months to one year after the completion of our part of the project or the whole project, depending on the terms in the contract between our Group and our customers.

As at 31 December 2014 and 2015 and 31 August 2016, our retention monies receivables amounted to approximately HK\$8.1 million, HK\$11.3 million and HK\$14.9 million respectively. Please refer to the paragraph headed "Trade and other receivables" in the section headed "Financial information" of this prospectus for further details.

Liquidated damages

Our customers may include clauses on liquidated damages in their contracts to protect themselves against any significant delays in completion of works subcontracted to us. However, under certain circumstances such as poor weather conditions or the issuance of variation orders, our customers may grant us extension of time without a need to pay liquidated damages to them.

Our Directors confirm that no liquidated damages had been claimed by our customers against our Group due to significant delay in our completion of works during the Track Record Period and up to the Latest Practicable Date.

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Indemnities

In accordance with our contracts with our customers, our Group may be required to indemnify our customers against all liabilities arising out of or in connection with the execution of our work being in breach of any applicable laws or regulations, unless the liabilities or claims are caused solely by the wrongful acts or omissions of our customers. Such liabilities include, but are not limited to, bodily injuries, damages to property, penalties, costs, damages, charges and expenses. Our Directors confirm that we had not experienced any material claims by our customers arising from our breach of contracts during the Track Record Period and up to the Latest Practicable Date.

Insurance

In general, it is the main contractor's obligation to obtain proper insurance policies against claims and compensations in respect of the persons who are employed at the construction sites for civil engineering projects. For further details, please refer to the paragraph headed "Insurance" in this section of the prospectus.

Termination

If we, in the opinion of our customers, fail to execute the works in accordance with our customers' requirements as set out in the contracts, and our works are unsatisfactory or likely to be so, and cause undue delay to the overall progress of the project, our customer may terminate our contract by giving advance notice of intention to do so.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any early termination of contracts by our customers.

Major projects

Set out below is a table showing our five largest projects (based on project sum) which were in progress during the Track Record Period and up to the Latest Practicable Date:

Projects	Details of the project	Expected completion date	Description of our services	Estimated project sum as at 31 August 2016 HK\$ million	Outstanding project sum as at 31 August 2016 HK\$ million	Approximate revenue recognised	
						For the year ended 31 December 2014 HK\$ million	For the eight months ended 31 August 2015 HK\$ million
Project AA	Marine works for a tunnel in Kowloon	December 2017	Tunnel construction	– (Note 2)	–	–	–
Project C	Advance works and general works in connection with an underground railway station construction in Kowloon	February 2017 (Note 3)	Tunnel construction	41.9	9.7	5.3	13.4
Project F	Labour supply and general works in connection with an underground railway station construction in Kowloon	June 2017	Tunnel construction	24.4 (Note 4)	–	–	3.7
Project E	Utility construction of laying down and connecting underground gas pipe network in Hong Kong	February 2018	Utility construction and others	10.9	10.0	–	0.3
Project U	General works in connection with the construction of a pet garden in Kowloon	June 2017	Utility construction and others	6.3	5.7	–	–

Notes:

- All the projects mentioned above are public sector projects.
- Project AA was awarded after 31 August 2016, hence there was no estimated project sum as at 31 August 2016. The estimated project sum for Project AA as at the Latest Practicable Date was approximately HK\$65.8 million.
- Our Group is constantly being engaged by the customer for additional works for the project on an ongoing basis, hence the expected completion date is only the tentative completion date for the works we have on hand as at the Latest Practicable Date.
- Our Group is being engaged by the customer on a monthly basis for the project, hence there would not be any outstanding project sum at the end of each month. The project is expected to be completed by June 2017.

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Set out below is a table showing our five largest projects (based on project sum) completed during the Track Record Period and up to the Latest Practicable Date:

Projects	Public or private sector	Details of the project	Duration of projects	Description of our services	Project sum as at 31 August 2016 HK\$ million	Approximate revenue recognised		
						For the year ended 31 December 2014 HK\$ million	2015 HK\$ million	For the eight months ended 31 August 2016 HK\$ million
Project A	Public sector	A tunnel for a cross border bridge, connecting Hong Kong and China	one year	Tunnel construction	68.2	–	11.1	26.5
Project B	Public sector	Footbridge for a road and bridge project in a site formation site in Kowloon	three years	Utility construction and others	58.9	32.5	11.7	0.9
Project H	Public sector	Tunnel construction works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	two years	Tunnel construction	38.7	23.3	12.8	–
Project D	Public sector	Structural works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	one year	Tunnel construction	28.3	–	2.3	21.4
Project I	Public sector	Structural works related to tunnel ancillary buildings in Kowloon	two years	Tunnel construction	27.2	0.2	–	–

Note: All the projects mentioned above are public sector projects

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Set out below is a table showing all ongoing projects during the Track Record Period and up to the Latest Practicable Date of our Group:

Projects	Public or private sector	Description and our services	Customer	Details of the project	From	Expected completion date	Estimated project sum as at 31 August 2016 HK\$ million	For the year ended 31 December		Revenue recognised from 1 September to 30 November 2016 HK\$ million	
								2014	2015		
								Revenue recognised for the eight months ended 31 August 2016 HK\$ million	Revenue recognised for the eight months ended 30 November 2016 HK\$ million		
Project C	Public sector	Tunnel construction	Customer C	Advance works and general works in connection with an underground railway station construction in Kowloon	July 2013	February 2017 (Note 1)	41.9	5.3	13.4	8.1	7.0
Project F	Public sector	Tunnel construction	Customer C	Labour supply and general works in connection with an underground railway station construction in Kowloon	August 2015	June 2017 (Note 2)	24.4	-	3.7	20.7	13.4
Project E	Public sector	Utility construction and others	Customer E	Utility construction of laying down and connecting underground gas pipe network in Hong Kong	November 2015	February 2018	10.9	-	0.3	0.6	-
Project U	Public sector	Utility construction and others	Customer I	General works in connection with the construction of a pet garden in Kowloon	July 2016	June 2017	6.3	-	-	0.6	1.1
Project Y	Public sector	Tunnel construction	Customer B	Structural works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	August 2016	April 2017	4.1	-	-	0.6	1.4
Project Z	Public Sector	Tunnel construction	Customer K	Marine works for a tunnel in the Hong Kong Islands	September 2016	February 2017	-	-	-	-	4.0
Project AA	Public Sector	Tunnel construction	Customer K	Marine works for a tunnel in Kowloon	November 2016	December 2017	-	-	-	-	1.1
Project AB	Public sector	Tunnel construction	Customer C	General works in connection with an underground railway station construction in Kowloon	January 2017	February 2017	-	-	-	-	-
							155.8	5.3	28.5	57.1	47.5

Notes:

- Our Group is constantly being engaged by the customer for additional works for the project on an ongoing basis, hence the expected completion date is only the tentative completion date for the works we have on hand as at the Latest Practicable Date.
- Our Group is being engaged by the customer on a monthly basis for the project, hence there would not be any outstanding project sum at the end of each month. The project is expected to be completed by June 2017.
- Project Z, Project AA and Project AB were awarded after 31 August 2016, hence there was no estimated project sum as at 31 August 2016. The respective estimated project sum for Project Z, Project AA and Project AB as at Latest Practicable Date were approximately HK\$4.5 million, HK\$65.8 million and HK\$1.1 million.

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Set out below is a table showing all completed projects during the Track Record Period and up to the Latest Practicable Date of our Group:

Projects	Public or private sector	Description and our services	Customer	Details of the project	From	To	For the year ended 31 December		For the eight months ended 31 August 2016	
							Project sum/estimated project sum as at 31 August 2016 HK\$ million	2014 Revenue recognised HK\$ million	2015 Revenue recognised HK\$ million	2015 Revenue recognised HK\$ million
Project A	Public sector	Tunnel construction	Customer B	A tunnel for a cross border bridge connecting Hong Kong and China	October 2015	January 2017	68.2	-	11.1	26.5
Project B	Public sector	Utility construction and others	Customer B	Footbridge for a road and bridge project in a site formation site in Kowloon	March 2013	May 2016	58.9	32.5	11.7	0.9
Project D	Public sector	Tunnel construction	Customer B	Structural works in an extension of an underground sewage system and treatment plant, connecting drainage tunnels within Hong Kong	December 2015	December 2016	28.3	-	2.3	21.4
Project H	Public sector	Tunnel construction	Customer A	Tunnel construction works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	May 2013	September 2015	38.7	23.3	12.8	-
Project I	Public sector	Tunnel construction	Customer B	Structural works related to tunnel ancillary buildings in Kowloon	July 2011	January 2014	27.2	0.2	-	-
Project J	Public sector	Utility construction and others	Customer C	A slope stabilisation works for electric pylons under super typhoon	December 2011	May 2015	26.6	6.8	0.1	-
Project K	Public sector	Tunnel construction	Customer D	Structural works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	May 2014	August 2015	17.4	5.7	11.7	-
Project L	Public sector	Tunnel construction	Customer A	Tunnel construction works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	May 2014	September 2015	11.7	11.7	-	-
Project M	Public sector	Tunnel construction	Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Ltd)	Tunnel construction works in an extension of an underground sewage system and treatment plant, connecting drainage tunnel within Hong Kong	August 2014	December 2015	10.5	4.0	6.5	-
Project N	Public sector	Tunnel construction	Customer H	Tunnel shutter assembly for a railway tunnel in New Territories	November 2012	September 2015	5.4	-	0.7	-
Project O	Private sector	Utility construction and others	Customer G	Slope stabilisation and structural works for a building in Sha Tin	April 2015	September 2015	3.3	-	3.3	-
Project P	Private sector	Utility construction and others	Customer F	Structural and refurbishment works for a building in Tuen Mun	January 2014	March 2014	2.7	2.7	-	-
Project Q	Public sector	Tunnel construction	Customer B	Shoring works for a tunnel of a cross border bridge connecting Hong Kong and China	August 2015	September 2015	2.1	-	2.1	-
Project G	Public sector	Utility construction and others	Customer C	A tunnel connecting East Kowloon and New Territories	October 2015	March 2016	1.5	-	0.4	1.1
Project R	Public sector	Utility construction and others	Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Ltd)	Soil nailing works for slope stabilisation in Kowloon	April 2014	November 2014	1.4	1.4	-	-
Project S	Private sector	Utility construction and others	Customer F	Structural and refurbishment works for a building in Tuen Mun	July 2012	March 2014	0.8	0.6	-	-
Project T	Private sector	Utility construction and others	Customer F	Structural and refurbishment works for a building in Tuen Mun	March 2015	July 2015	0.5	-	0.5	-
Project V	Private sector	Utility construction and others	Customer F	Structural and refurbishment works for a building in Tuen Mun	February 2016	April 2016	3.5	-	-	3.5
Project W	Private sector	Utility construction and others	Customer J	Structural works of constructing an electrical substation in Yuen Long	July 2016	January 2017	1.0	-	-	-
Project X	Private sector	Utility construction and others	Customer F	Structural and refurbishment works for a building in Tuen Mun	June 2016	June 2016	0.1	-	-	0.1
							241.6	88.9	52.1	27.0

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had one Loss Making Project with an estimated project sum of approximately HK\$58.9 million as at 31 August 2016. The loss was mainly attributable to the main contractor's delayed project timetable and an unexpected substantial increase in labour costs over the Track Record Period. As a result, our Group anticipated a loss during the year ended 31 December 2013, where an expected loss of approximately HK\$6.0 million was recognised in that financial year. As the Loss Making Project progressed in 2014, a further expected loss of approximately HK\$1.0 million was recognised during the year ended 31 December 2014 resulting in a gross loss margin of the Loss Making Project of approximately 3.1%. For the year ended 31 December 2015 and the eight months ended 31 August 2016, the gross profit margin of the Loss Making Project was nil and nil respectively as all the expected loss had been recognised. Save for the abovementioned project, there was no other loss making project during the Track Record Period and up to the Latest Practicable Date. For further details of the expected loss, please refer to the paragraph headed "Expected loss recognised" in the section headed "Financial information" of this prospectus.

During the eight months ended 31 August 2016, we experienced a delay in one of our projects with an estimated project sum of approximately HK\$68.2 million ("**Delayed Project**") as at 31 August 2016. For the Delayed Project, the estimated revenue to be recognised is approximately HK\$23.5 million for the remaining four months of the year ended 31 December 2016 and approximately HK\$7.1 million for the year ending 31 December 2017. The Delayed Project is expected to be completed during 2017. The delay in the project in January 2016 was mainly due to the fact that the main contractor had not completed the preceding works in order for us to commence our excavation work which we were engaged to perform. The excavation was partially resumed in February 2016 and the pace of such project had since been picked up. Our Directors considered the delay to be an unforeseen event and not a general trend.

The gross profit margin of the Delayed Project was approximately 55.8% for the year ended 31 December 2015 and approximately 35.8% for the eight months ended 31 August 2016. The amount of additional cost to be borne by our Group as a result of the delay of our excavation work was approximately HK\$1.2 million. Such additional cost of HK\$1.2 million mainly represented the down time of our staff and rented machinery during the delay in the eight months ended 31 August 2016, the majority of which was incurred during January and February 2016. Therefore, as a result of the delay, the gross profit margin of the Delayed Project decreased from approximately 55.8% for the year ended 31 December 2015 to approximately 35.8% for the eight months ended 31 August 2016.

Apart from the Loss Making Project, our Group did not experience any material delay in project timetable and no loss on our projects was recorded prior to the Track Record Period. Our Directors are of the view that none of our projects on hand are expected to be loss-making.

BUSINESS

Cost control measures were implemented in December 2014, where weekly activity reports were compiled for on-going projects in order to monitor the costs incurred. In December 2015, we had engaged an independent internal control consultant to assess our overall internal controls for the period from January 2015 to November 2015 and to give recommendations to enhance them. From January 2016, our Group enhanced our cost control measures by having our project managers to prepare a cost control cost budget for each project prior to tender. Since then, our project managers have also been monitoring the actual costs incurred on an on-going basis and compare them with the budgeted cost so as to identify any significant variances on a timely basis. Such analysis is also to be approved by the executive Directors. In May 2016, we further engaged the same independent internal control consultant to review our enhanced cost control measures for the period from January 2016 to May 2016. Our Directors, the internal control consultant and the Sponsor are of the view that our Group's cost control measures can adequately and effectively monitor our project costs as well as identify any overrun in our budgets.

6. SUPPLIERS

During the Track Record Period, our Group purchased and used construction materials including concrete, steel reinforcement bars, timber and diesel fuel, which were sourced from a number of suppliers on our Group's approved supplier list. Over the years, we have been working closely with our construction materials suppliers and have maintained good relationships with a pool of suppliers. Nonetheless, our Directors believe that we do not depend on any of our construction materials suppliers as we have alternative construction materials suppliers for all major construction materials. In addition, our Group had also engaged machinery and equipment suppliers, mainly for construction machinery rental or purchase during the Track Record Period.

When evaluating whether to purchase machinery or enter into finance lease arrangement, our Directors have evaluated the costs and benefits of each arrangement, which include but not limited to (i) the total rental and / or finance costs of the machinery; (ii) the resale value of the machinery; and (iii) whether the machinery can be used in multiple projects. Our Directors will then decide on the appropriate arrangement.

In addition, our Directors also take into consideration whether our Group has a pipeline of projects on hand which can continuously make use of the machinery. For example, subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had the strategy of purchasing machinery where it added HK\$2.2 million of machinery (in particular, excavators and scaffolding equipment). This was due to our Directors' assessment that our Group's deployment need for excavators will continue for a period of time based on our current and upcoming projects.

BUSINESS

During the Track Record Period, another consideration our Directors had to make was, within the constraints of the amount of internal funds and external borrowings we had, whether to deploy such capital towards capital investments (i.e. purchasing the machinery thereby realising the benefits above) or towards working capital (thereby being able to undertake more projects).

Our Directors are of the view that it is appropriate for approximately 36.8% of the net proceeds to be used for purchasing certain machinery for site operation, as this increases the cost-efficiency in our operations. For further details, please refer to the paragraph headed “Use of proceeds” in the section headed “Future plan and use of proceeds” of this prospectus.

Characteristics of our suppliers

During the Track Record Period, our Group’s suppliers mainly included (i) suppliers of construction materials and supplies; and (ii) site equipment rental services providers.

Our Group does not enter into any long-term supply agreements with our suppliers as we normally purchase construction materials and services on a project-by-project basis. Our Directors believe that we have maintained good business relationships with our suppliers. During the Track Record Period, we did not encounter any material difficulties in sourcing suppliers based on our needs. Save for the cases where we were provided with construction materials and services by our customers pursuant to the contra-charge arrangement as contemplated under our civil engineering contracts, we are generally responsible for sourcing construction materials and services for our projects. For the details of contra charge arrangement, please refer to the paragraph headed “Contra-charge arrangement with our customers” in this section of the prospectus. As at the Latest Practicable Date, our Group had accumulated a pool of suppliers on our approved list of suppliers. We select our suppliers from our approved list based on various factors including their prices, quality of materials, past performance and timeliness of delivery. Our suppliers normally grant us a credit period of up to 30 days from the invoice date, and the amount is usually settled by cheque.

During the Track Record Period, we did not experience any material difficulties or delays in performance of our works caused by materials shortage or delay in the supply of goods and services that we required. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers in the market.

BUSINESS

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

	Year ended 31 December				Eight months ended 31 August			
	2014		2015		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Construction materials and supplies	27,592	69.2	12,821	52.6	9,660	55.3	11,023	52.5
Rental of plant and machinery	5,840	14.7	5,602	23.0	3,119	17.9	6,334	30.2
Subcontracting charges	489	1.2	2,439	10.0	2,218	12.7	1,311	6.2
Other expenses	<u>5,943</u>	<u>14.9</u>	<u>3,502</u>	<u>14.4</u>	<u>2,456</u>	<u>14.1</u>	<u>2,335</u>	<u>11.1</u>
Total	<u><u>39,864</u></u>	<u><u>100.0</u></u>	<u><u>24,364</u></u>	<u><u>100.0</u></u>	<u><u>17,453</u></u>	<u><u>100.0</u></u>	<u><u>21,003</u></u>	<u><u>100.0</u></u>

For the years ended 31 December 2014 and 2015, our cost of services in relation to the purchase of construction materials and supplies decreased from approximately HK\$27.6 million for the year ended 31 December 2014 to approximately HK\$12.8 million for the corresponding year in 2015. The decrease was mainly due to the decrease in the need to purchase construction materials by our Group for a public sector structural works project and a public sector tunnel construction project. For further details on our Group's cost of services, please refer to the paragraph headed "Cost of services" in the section headed "Financial information" of this prospectus. For the eight months ended 31 August 2015 and 2016, our cost of services in relation to the purchase of construction materials and supplies increased from approximately HK\$9.7 million for the eight months ended 31 August 2015 to approximately HK\$11.0 million for the eight months ended 31 August 2016. The increase was mainly due to the increase in the need to purchase construction materials and contra-charge of a project which commenced in December 2015. In general, our purchase of construction materials and supplies depends on the terms of our contract, which may vary on a project-by-project basis. For the eight months ended 31 August 2015 and 2016, rental of plant and machinery amounted to approximately HK\$3.1 million and approximately HK\$6.3 million, representing approximately 17.9% and approximately 30.2% of our total purchase respectively. The increase over the preceding period is in line with the increase in our revenue. For details of sensitivity analysis on fluctuations of the major costs of our business, please refer to the section headed "Financial information" of this prospectus. During the Track Record Period, save for one supplier in the PRC which provided steel fabrication services to our Group, all our suppliers were located in Hong Kong. All our purchases were denominated in Hong Kong dollars.

BUSINESS

Prices of suppliers

Prices are determined by reference to quotation of suppliers as agreed between us and the suppliers on a project-by-project basis. During the preparation of our tender submissions to our customers, our Directors consider numerous factors including, but not limited to, the future price trends of the construction materials and services. Therefore, our Group could generally pass on the increase in costs to our customers. Nonetheless, our Directors will implement certain measures to manage the possible fluctuations of material prices when necessary. During the Track Record Period and up to the Latest Practicable Date, our Group had entered into one contract whereby our Group agreed to pre-order a set amount of steel at the then market price, which our Directors believe was low at the time, to prevent our Group suffering losses due to the possible fluctuation of steel price. During the Track Record Period and up to the Latest Practicable Date, we did not experience any fluctuation in the costs of materials and services that had a material impact on our business operations and financial conditions.

Major suppliers

For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, the percentage of our total purchase incurred (excluding subcontracting charges incurred) in relation to our largest supplier amounted to approximately 18.2%, 9.7% and 14.1% respectively, and the percentage of our total purchase incurred (excluding subcontracting charges incurred) in relation to our top five suppliers amounted to approximately 42.6%, 33.4% and 37.4% respectively.

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

For the year ended 31 December 2014

Supplier	Purchases by us from the supplier		Nature of service	Year of commencement of business relationship
	HK\$'000	%		
Supplier A	7,153	18.2	Steel reinforcement bar supplier	2013
Supplier B	5,042	12.8	Steel shutter fabrication	2012
Supplier C	1,708	4.3	Crane lorry supplier	2013
Supplier D	1,524	3.9	Excavators and other construction machinery supplier	2013
Supplier E	<u>1,325</u>	<u>3.4</u>	Timber formwork supplier	2011
Total	<u><u>16,752</u></u>	<u><u>42.6</u></u>		

BUSINESS

For the year ended 31 December 2015

Supplier	Purchases by us from the supplier <i>HK\$'000</i>	%	Nature of service	Year of commencement of business relationship
Supplier A	2,130	9.7	Steel reinforcement bar supplier	2013
Supplier D	1,974	9.0	Excavators and other construction machinery supplier	2013
Supplier C	1,547	7.1	Crane lorry supplier	2013
Supplier F	1,171	5.3	Steel reinforcement bar supplier	2015
Supplier G	<u>515</u>	<u>2.3</u>	Water tank supplier	2015
Total	<u><u>7,337</u></u>	<u><u>33.4</u></u>		

For the eight months ended 31 August 2016

Supplier	Purchases by us from the supplier <i>HK\$'000</i>	%	Nature of service	Year of commencement of business relationship
Supplier D	2,771	14.1	Excavators and other construction machinery supplier	2013
Supplier H	1,747	8.9	Excavators and other construction machinery supplier	2015
Supplier J	1,098	5.6	Timber and formwork supplier	2015
Supplier I	1,009	5.1	Excavators and other construction machinery supplier	2015
Supplier K	<u>727</u>	<u>3.7</u>	Diesel supplier	2006
	<u><u>7,352</u></u>	<u><u>37.4</u></u>		

BUSINESS

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

Contra-charge arrangement with our customers

According to the Euromonitor Report, it is common in the civil engineering construction industry for a main contractor to pay on behalf of its subcontractors for certain expenses in the project, which would be subsequently deducted from its payments to that subcontractor in settling the interim payments and final accounts to the subcontractor. Such payment arrangement is referred to as a "contra-charge arrangement" and the amount involved is referred to as "contra-charge".

During the Track Record Period, we had contra-charge arrangement with six of our customers. Such contra-charge mainly consisted of purchase costs of construction materials, rental costs of site equipment, and other miscellaneous items. Our customers may purchase construction materials specified in the contract or lease their site equipment to our Group in accordance with the contra-charge arrangement set out in the contract. Such purchase cost of construction materials and rental cost of site equipment will be settled by netting it off the payments due to us from our customer. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, our total contra-charge incurred amounted to approximately HK\$5.9 million, HK\$2.6 million and HK\$3.4 million respectively, and such contra-charge incurred attributable to our top five customers during the Track Record Period amounted to approximately HK\$5.9 million, HK\$2.6 million and HK\$3.3 million respectively.

BUSINESS

Set out below is a table showing the information on our customers from whom we had material contra-charge arrangement during the Track Record Period:

	For the year ended 31 December 2014		For the year ended 31 December 2015		For the eight months ended 31 August 2016	
	HK\$'000	Approximate %	HK\$'000	Approximate %	HK\$'000	Approximate %
Customer B						
Revenue derived from Customer B and approximate % of total revenue	32,656	34.7	27,185	33.7	49,419	58.3
Contra-charge charged by Customer B and approximate % of total purchase (excluding subcontracting charges)	3,199	8.1	2,259	10.3	2,765	14.0
Average gross profit margin ⁽²⁾		-3.5		32.9		25.5
Customer C						
Revenue derived from Customer C and approximate % of total revenue	12,155	12.9	17,566	21.8	29,926	35.3
Contra-charge charged by Customer C and approximate % of total purchase (excluding subcontracting charges)	1,417	3.6	390	1.8	386	2.0
Average gross profit margin ⁽²⁾		39.9		34.2		23.2
Customer A						
Revenue derived from Customer A and approximate % of total revenue	35,004	37.2	12,794	15.9	-	-
Contra-charge charged by Customer A and approximate % of total purchase (excluding subcontracting charges)	1,222	3.1	(97) ⁽¹⁾	-0.4	-	-
Average gross profit margin ⁽²⁾		15.5		28.0		-
Build King Civil Engineering Limited (formerly known as Leader Civil Engineering Corporation Ltd.) ("Build King")						
Revenue derived from Build King and approximate % of total revenue	5,367	5.7	6,505	8.1	-	-
Contra-charge charged by Build King and approximate % of total purchase (excluding subcontracting charges)	28	0.1	73	0.3	-	-
Average gross profit margin ⁽²⁾		25.5		14.6		-
Customer E						
Revenue derived from Customer E and approximate % of total revenue	-	-	271	0.3	560	0.7
Contra-charge charged by Customer E and approximate % of total purchase (excluding subcontracting charges)	-	-	11	0.1	86	0.4
Average gross profit margin ⁽²⁾		-		7.3		14.4

Notes:

- (1) The amount was over-charged by the customer in 2014, which was refunded in 2015.
- (2) The average gross profit margin was derived by dividing the sum of gross profit of all projects related to that customer by the total revenue derived from that customer for the respective year/period.

BUSINESS

7. SUBCONTRACTORS

Our Group primarily relies on direct labour and only subcontracts works in specialised areas where our Group cannot perform the work directly. During the Track Record Period, our Group subcontracted works such as electrical and mechanical engineering, and fire system works to subcontractors.

Our Group is accountable to our customers for the works performed in a project, including those carried out by our subcontractors. Unless otherwise specified in the contracts with our customers, our customers generally consent to our use of subcontractors for a project and do not limit or interfere with our selection of subcontractors.

During the Track Record Period, all our subcontractors were located in Hong Kong and the respective services fees were denominated in Hong Kong dollars. The following table sets out the relevant amount of subcontracting charges incurred by our Group during the Track Record Period:

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subcontracting charges	489	2,439	2,218	1,311

For the years ended 31 December 2014 and 2015 and for the eight months ended 31 August 2015 and 2016, we incurred subcontracting charges of approximately HK\$0.5 million, HK\$2.4 million, HK\$2.2 million and HK\$1.3 million respectively, representing approximately 0.6%, 4.5%, 5.9% and 2.1% of the total cost of services for each of the year/period. The substantial increase of subcontracting charges was mainly due to the increase in subcontractor works required in our turnkey projects for which specialist services were required as part of our tunnel construction works during the year ended 31 December 2015. Subcontracting charges amounted to approximately HK\$2.2 million and approximately HK\$1.3 million for the eight months ended 31 August 2015 and 2016 respectively. As aforementioned, the relatively higher cost for the eight months ended 31 August 2015 as compared to that for the eight months ended 31 August 2016 was due to our participation in turnkey projects.

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

BUSINESS

Basis of selection of subcontractors

We carefully evaluate the performances of our subcontractors and select subcontractors based on a range of factors such as their backgrounds, relevant licences, technical capabilities, experience, fee quotations, service quality, track records, and reputation.

Relationships with subcontractors

Our Group has maintained a pool of experienced subcontractors for our selection, and has established working relationships with our subcontractors. In addition, our Directors consider that we do not place any significant reliance on any single subcontractor as we had engaged most of our subcontractors on an one-off basis for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016.

Key terms of subcontracting agreements

As our customers engage us on a project-by-project basis, we do not enter into any long-term contracts with our subcontractors.

Our Group enters into agreements with our subcontractors governing the general terms of subcontracting arrangement. The key terms of such agreement include, amongst other things, (i) scope of works, pricing and quotations of labour and materials, arrangement of labour, purchase of materials (if applicable); and (ii) the methods of payment.

In general, we determine the amount of subcontracting charges based on (i) a certain percentage of the amount of fees to be received by us from our customers in respect of the portion of works being sub-contracted; (ii) the amount of labour resources required from our subcontractors; (iii) the nature of works to be performed; and (iv) the prevailing market conditions.

Control over subcontractors

During project implementation, our staff closely monitor their work progress and performance as well as their compliance with our safety measures and quality standards. For further information of our measures in relation to quality control, work safety and environmental matters, please refer to the paragraphs headed “Quality control” and “Health and work safety” in this section of the prospectus.

8. RAW MATERIALS AND INVENTORY

Our Group did not maintain any inventory during the Track Record Period as our construction materials are purchased and consumed on a project-by-project basis.

9. QUALITY CONTROL

To maintain consistent quality services for all our customers, we have established a formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2008. We have in-house quality assurance requirements specifying, amongst other things, specific work procedures for performing various types of works, responsibilities of personnel of different levels, and accident reporting. Compliance with these quality assurance requirements is mandatory for all our workers.

Mr. Boris Chuang and our senior management are responsible for our overall quality control. For the background and industry experience of Mr. Boris Chuang, please refer to the section headed “Directors, senior management and employees” of this prospectus.

Quality control on our services

Mr. Boris Chuang and our senior management closely monitor the progress of each project to ensure that our services (i) meet our customers’ requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant and applicable rules and regulations. Our experienced staff assist our executive Directors to monitor overall work quality and project progress. Our experienced staff will also coordinate with our site staff to carry out on-site inspections and to supervise construction site workers on a regular basis. Our staff will inform our executive Directors of the project status, and any quality issues arising from the project on a timely basis.

During the Track Record Period and up to the Latest Practicable Date, our Group had not received any material complaints on our quality of services provided.

For our quality control measures over our subcontractors, please refer to the paragraph headed “Subcontractors” in this section of the prospectus.

Quality control on our site equipment and construction materials

Our Group closely monitors the quality of purchased construction materials and site equipment. To ensure the quality of the construction materials, our executive Director, Mr. Boris Chuang and our senior management will ensure that the construction materials sourced from our suppliers are up to the quality specified in contracts prior to ordering. Upon arrival of the ordered construction materials, all materials are sent directly to the relevant construction sites for inspection by our staff, foremen and engineers before utilisation. During the inspection, we will check (i) whether the quantity is correct; (ii) whether there is any observable defect; and (iii) whether the quality of the construction material is up to the quality specified in the contract.

BUSINESS

For permanent construction materials which the quality is specified by contract requirements and GS, such as concrete and steel, after our staff have done the initial quality control, we would provide samples to independent professionals and laboratories appointed by our customers to perform inspections and quality tests. Any defective materials or materials that fall short on the quality requirements specified in the contract would be returned to the suppliers for replacement. There had been no incident during the Track Record Period where our materials fell short on the quality requirements and were returned to the suppliers.

For certain temporary construction materials (meaning those materials that are used in the process of construction but will be removed from the site after the project is completed) procured by our Group, such as concrete lining shutters, our engineers will first provide calculations of the shutter alignment to our customers for verification. Upon our customers' confirmation, our executive Directors or staff will then perform on-site inspection at the shutter production factory to ensure the alignment is correct before production commences.

10. INSURANCE

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282, Laws of Hong Kong), 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). We have secured insurance cover in accordance with such requirements.

Nevertheless, under section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under section 40(1B) of the Employees' Compensation Ordinance, the main contractor and the subcontractor insured under such policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As such, our Group and our subcontractors are in practice covered by the insurance policy taken out by our customers in this connection.

Our Directors confirm that during the Track Record Period, all our projects were fully covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by the main contractors and our Group. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working on the relevant construction sites, and the works performed by them on the relevant construction sites.

BUSINESS

During the Track Record Period, our Group maintained insurance coverage against, amongst other things, (i) liability for third party bodily injury occurred on our office premises; (ii) loss or damage of our site equipment; and (iii) third-party liability in relation to the use of our vehicles.

Certain types of risks, such as the risk in relation to events such as adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because either they are uninsurable or it is not cost justifiable to insure against such risks. For the risk relating to any inadequate coverage of insurance, please refer to the section headed “Risk factors” in this prospectus.

Our Directors believe that our current insurance policies are adequate and consistent with the industry norm in relation to our current operations and the prevailing industry practice. For the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, our insurance expenses were approximately HK\$39,000, HK\$68,000 and HK\$34,000 respectively. Save as disclosed under the paragraph headed “Litigation and potential claims” in this section of the prospectus, during the Track Record Period and up to the Latest Practicable Date, we had not made and had not been subject to any material insurance claim.

11. LICENCES AND PERMITS

Given that all the relevant licences and permits for civil construction projects would be obtained by the main contractors, there is no particular licence or permit required for subcontractors such as our Group which provide underground construction services in a public sector project under a main contractor. Our Group does not provide any services that would require a separate licence or permit in addition to those under our main contractor’s licences.

For main contractors of public sector projects, they are required to engage subcontractors who are registered under the Subcontractor Registration Scheme. The table below sets out the details of such registration held by our Group as at the Latest Practicable Date:

Type of registration	Granted by	Granted to	Trades	Specialties	Date of upcoming expiry
Registered Subcontractor	Construction Industry Council	GMEHK	Concreting formwork, Reinforcement bar fixing, Concreting, Scaffolding, General civil works, Structural Steel work, Finishing Wet Trades, Painting	Concreting formwork, Timber formwork, Reinforcement bar fixing, Concreting, Scaffolding, Structural steelwork, Earthwork, Road drainage and sewer, Geotechnical works, Ground investigation, Other (Tunnel works) Plastering and tiling, Brush painting	4 January 2019

BUSINESS

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

There are certain licences or permits required for individual workers for particular construction sites such as the Construction Industry Safety Training Certificate, Certificate of Certified Worker for confined space, other permits for safety and health courses organised by the main contractors specifically for the project, and other relevant licence to operate various construction machinery. Our Directors confirm that all the relevant permits required for workers to enter and work on the construction sites have been properly obtained by our employees.

12. HEALTH AND WORK SAFETY

Our Group has complied with our customers' occupational health and safety objectives and policies, which may vary from project to project. Such means include the compulsory wearing of personal protective equipment appropriate to the situation and the monitoring of legal requirements relating to the industry.

Depending on the nature of works and the need of the project, our Group will provide training to our employees from time to time. Our customers sometimes require our staff to attend their own on-site occupational safety trainings. Our Group also implements a system in recording, handling and reporting accidents which may lead to both employees' compensation claims and personal injury claims to our Group. Our staff would collect data and relevant information relating to work safety and accidents from our construction sites in a timely manner, report to the management, and compile a record of accident and health and safety compliance record. In addition, our Group has designated personnel who are responsible for the accident reporting process. If any accident occurs, the injured employee (including our employee and our subcontractors' employee) or the witness of such accident must orally report to the site foreman or engineer. The site foreman or engineer who receives reports from an injured worker or a witness of such accident must report the accident to the senior management of our Group and of the relevant main contractor in electronic communication format on the day of the accident. Our senior management will assign an administration officer to record all events related to the accident in our Company's record and report the accident to the safety officer of the main contractor. Our Group has also provided guidance to the responsible administration officer on how to identify and categorise accidents that are required to be reported to the Labour Department of the Hong Kong Government. For any accident that results in total or partial incapacity of an employee, the accident must be reported in writing within 14 days after the date of the accident with the prescribed forms of the Labour Department of the Hong Kong Government.

BUSINESS

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there were 34 reported work injury accidents which arose during the usual and ordinary course of our business and all of which involved the employees of our Group. Among these reported work injury accidents, 15 accidents occurred during the year ended 31 December 2014, ten accidents occurred during the year ended 31 December 2015, nine accidents occurred from 1 January 2016 up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any fatal accidents.

The following table sets out the common nature and type of material work injury accidents which occurred during the Track Record Period and up to the Latest Practicable Date and the corresponding enhanced safety measures implemented by our Group to prevent the occurrence of similar accidents:

Nature and causes of accidents	Enhanced safety measures undertaken
Fracture, sprain and strain injury caused by manually handling, lifting or disposing of materials	We provide training to workers and coach them frequently on how to move material safely using lift equipment and safe postures
Crush injury caused by operating machinery	We make sure that all workers on a particular piece of machinery understand how to operate the machinery safely and we regularly maintain and check the machinery
Contusion and bruise injury caused by falling object resulting from materials being transported	We stack materials securely to prevent them from sliding, falling or collapsing where overhead work is being performed
Sprain and strain and skull/scalp injury caused by slipping, tripping or falling on grounds	We put up warning signposts in working areas with potential risks

Taking into account the above enhanced safety measures undertaken and the decreasing trend of our Group's accident rate as illustrated below, our Directors are of the view, and the Sponsor concurs, that there is no indication of our enhanced safety measures being inadequate or ineffective.

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

	Construction Industry in Hong Kong <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
From 1 January to 31 December 2014		
Industrial accident rate per 1,000 workers in construction industry	41.9	46.5
Industrial fatality rate per 1,000 workers in construction industry	0.242	Nil
From 1 January to 31 December 2015		
Industrial accident rate per 1,000 workers in construction industry	39.1	28.0
Industrial fatality rate per 1,000 workers in construction industry	0.200	Nil
From 1 January 2016 to 31 December 2016		
Industrial accident rate per 1,000 workers in construction industry	Not yet available	13.5
Industrial fatality rate per 1,000 workers in construction industry	Not yet available	Nil
From 1 January 2017 up to the Latest Practicable Date		
Industrial accident rate per 1,000 workers in construction industry	Not yet available	Nil
Industrial fatality rate per 1,000 workers in construction industry	Not yet available	Nil

Notes:

1. The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department of the Hong Kong Government. The industry's average accident rate and fatality rate for the two years ended 31 December 2017 were not yet available as at the Latest Practicable Date.
2. Our Group's accident rate is calculated with reference to the definition of accident rate under the Occupational Safety and Health Statistics Bulletin Issue No. 16 (August 2016) published by Occupational Safety and Health Branch of the Labour Department of the Hong Kong Government, which is the number of work injury accidents resulting in death or incapacity for work of over three days (i.e. six in 2014, four in 2015, seven in 2016 and nil from 1 January 2017 up to the Latest Practicable Date), divided by the number of site workers as at the end of the calendar year. The number of site workers excludes employees of our subcontractors as there was no accident which involved employees of our subcontractors for the three years ended 31 December 2016 and from 1 January 2017 up to the Latest Practicable Date.

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For the three years ended 31 December 2016 and the period from 1 January 2017 up to the Latest Practicable Date, our Group experienced drops of accident rates. Our Directors believe our enhanced occupational safety measures implemented by our customers and/or us throughout 2015 and 2016 have been effective in managing the risks to our workers' safety.

A table showing our Group's lost time injuries frequency rates ("LTIFRs") is set out below:

For the year ended 31 December 2014	15.5
For the year ended 31 December 2015	9.3
For the year ended 31 December 2016	4.5
From 1 January 2017 up to the Latest Practicable Date (both days inclusive)	Nil

Notes:

1. LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant calendar year or period by 1,000,000 divided by the number of hours worked by site workers over the same calendar year or period. It is assumed that the working hour of each worker is ten hours per day. The number of working days for the three years ended 31 December 2016 and from 1 January 2017 up to the Latest Practicable Date were approximately 301 days, 300 days, 302 days and 28 days, respectively.
2. Employees of our subcontractors are excluded in the LTIFRs shown above. There were no lost time injuries which involved employees of our subcontractors for the three years ended 31 December 2016 and from 1 January 2017 up to the Latest Practicable Date.

For the three years ended 31 December 2016 and from 1 January 2017 up to the Latest Practicable Date, we experienced a decrease of LTIFRs. Our Directors believe that the decrease was primarily due to the following reasons: (i) we have followed our enhanced safety policy in our quality manual closely and provided more training and support to our workers regarding workplace safety together with our customers on site; and (ii) we have continued to constantly communicate with our customers regarding workplace safety issues and ensure that we undertake all follow up actions.

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13. ENVIRONMENTAL MATTERS

Our Group's operations are also subject to certain environmental requirements pursuant to laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" of this prospectus.

Our Group has adopted measures and work procedures governing environment protection compliance that are required to be followed by our workers. Such measures and procedures concerning mainly air pollution and noise control include, amongst other things: (i) dust suppression by use of water; (ii) use of low-dust techniques and equipment as required by our customers; and (iii) inspection and maintenance of all equipment before use for compliance of permitted noise level.

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

14. INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we were the registrant of one domain name, namely, www.gmehk.com.

15. EMPLOYEES

Number of employees

As at the Latest Practicable Date, all of our employees are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by functions:

	As at 31 August 2016	As at the Latest Practicable Date
Management	4	3
Technical staff	8	12
Administration, accounting and finance	6	8
Workers	<u>379</u>	<u>517</u>
Total	<u><u>397</u></u>	<u><u>540</u></u>

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We intend to hire additional competent personnel to complement our expansion plans as and when necessary.

Relationship with employees

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

Training and recruitment policies

Our Group generally recruits our employees from the open market, by referral and by placing recruitment advertisements.

We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We provide various types of trainings to our employees and sponsor our employees to attend various training courses organised by external parties, including those on technical aspects in relation to operation on drilling, shotcreting and other types of machinery, as well as those on occupational health and safety and environmental protection in relation to our work. During each of the two years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, our expenses incurred in arranging our workers to attend external training amounted to approximately HK\$113,000, HK\$27,000 and HK\$12,000 respectively.

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16. PROPERTIES

As at the Latest Practicable Date, we did not own any property and we leased the following properties from Independent Third Parties for our operations:

Lessor	Unit type	Address	Use of the property	Key terms of the tenancy
An Independent Third Party	Land	Part of DD 77 Lot 1488, 1454, 1456SB	For storage of our machinery and tools	HK\$30,000 per month, with a term of two years commencing on 22 December 2015 and expiring on 21 December 2017
An Independent Third Party	Office	Room 1001-2, 10/F, 148 Electric Road, Hong Kong	For operational use	HK\$94,450 per month, with a term of 2 years commencing on 3 January 2017 and expiring on 2 January 2019

No valuation report for the above properties have been included in this prospectus as it is exempted under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

17. NON-COMPLIANCE

Our Directors confirm that there had been no material non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group had, in all material respects, complied with the laws and regulations in Hong Kong applicable to our business operations during the Track Record Period and up to the Latest Practicable Date.

18. LITIGATION AND POTENTIAL CLAIMS

Save as disclosed below in this section, our Directors confirm that no member of our Group was engaged in any litigation, claim or arbitration of material importance. No litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

Claims against our Group typically relate to (i) employees' compensation claims; (ii) personal injury claims; and (iii) wage claims, arising in the ordinary course of our Group's civil engineering construction business. During the Track Record Period and up to the Latest Practicable Date, our Group had been or was involved in a number of litigations and claims against our Group, mainly arising from common workplace accidents for our Group's projects. Set out below are the details of (i) the ongoing litigations against our Group as at the Latest

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Practicable Date; (ii) the potential litigations against our Group as at the Latest Practicable Date; and (iii) the material litigations (the settled amounts were HK\$100,000 or above) against our Group settled during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view that occurrence of personal injury claims, employees' compensation claims and wage claims is not uncommon in our industry. In general, given that the majority of the contracts with our customers in relation to public sector projects provide that, subject to customary liability carve-outs, our customers shall cover all damages or compensation payable at law in respect or in consequence of any personal injury or accident to our employees as a result of or in connection with the execution of the subcontract works, in the event we are listed as a defendant in any related claim, such claim will be handled by the insurance company of the main contractor. For private sector projects, we have taken out insurance coverage for potential claims.

Ongoing litigations against our Group as at the Latest Practicable Date

The table below summarises the six ongoing employees' compensation and personal injury claims by our employees against our Group as at the Latest Practicable Date:

Particular of the claims	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Total amount involved	Status as at the Latest Practicable Date
<i>Employees' compensation claims</i>				
1. The injured suffered right index finger injury when he was using a bending steel bar machine. (Action No. DCEC2287/2015)	Yip Tak Wah	GMEHK and a main contractor	Approximately HK\$120,000	Ongoing. A notice of acceptance of sanctioned payment was filed on 8 July 2016. The insurer of the main contractor has taken over conduct of the proceedings and such insurer shall provide GMEHK with an indemnity in respect of the employees' compensation claim, interest and costs as well as defence costs to be borne by our Group for this claim subject to GMEHK's compliance with the terms and conditions of the insurance policy (Notes 1 and 2).

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Particular of the claims	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Total amount involved	Status as at the Latest Practicable Date
2. The injured suffered right shoulder and right back injuries when he was hit by a falling unknown object. (Action No. DCEC372/2016)	Lau Yun Cheung	GMEHK and a main contractor	Claimed amount unknown	Ongoing. The applicant has been examined by the parties' medical experts on 3 January 2017 and the joint medical report will be available about two months later. The insurer of the main contractor has taken over conduct of the proceedings and the potential settlement amount and litigation costs to be borne by our Group for this claim shall be fully covered by the relevant insurance policy subject to GMEHK's compliance with the terms and conditions of the insurance policy (Note 1).
3. The injured suffered right lateral malleolus fracture. (Action No. DCEC1618/2016) (Note 3)	Chan Tak Nam	GMEHK and a main contractor	Claimed amount unknown	Ongoing. The insurer of the main contractor has taken over conduct of the proceedings and the settlement amount and litigation costs to be borne by our Group for this claim shall be fully covered by the relevant insurance policy subject to the review by the insurer's solicitor of any observation of breach of policy terms and conditions by the insureds (Note 1).
4. The injured suffered right ankle burn injury and left thumb fracture when he was hit by a piece of hot reinforcement (Action No. DCEC208/2017)	Gurung Toran	GMEHK and a main contractor	Claimed amount unknown	Ongoing. The insurer of the main contractor has taken over conduct of the proceedings and the settlement amount and litigation costs to be borne by our Group for this claim shall be fully covered by the relevant insurance policy subject to GMEHK's compliance with the terms and conditions of the insurance policy (Note 1).

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Particular of the claims	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Total amount involved	Status as at the Latest Practicable Date
<i>Personal injury claims</i>				
5. The injured suffered right lateral malleolus fracture. (Action No. HCPI1436/2016) (Note 3)	Chan Tak Nam	GMEHK	Claimed amount unknown	Ongoing. The insurer of the main contractor has taken over conduct of the proceedings and the settlement amount and litigation costs to be borne by our Group for this claim shall be fully covered by the relevant insurance policy subject to the review by the insurer's solicitor of any observation of breach of policy terms and conditions by the insureds (Note 1).
6. Particular of this claim will be contained in the statement of claim to be issued (Action No. DCPI1408/2016)	Hung Man Pok	GMEHK and a main contractor	Claimed amount unknown	Ongoing. A writ dated 7 July 2016 was served on the insurer of the main contractor and the statement of claim and statement of damages are yet to be issued. The insurer of the main contractor has taken over conduct of the proceedings and the settlement amount and litigation costs to be borne by our Group for this claim shall be fully covered by the relevant insurance policy subject to GMEHK's compliance with the terms and conditions of the insurance policy.

Notes:

1. The key terms and conditions of the relevant insurance policies that GMEHK is required to comply with for the full coverage of these ongoing claims include reporting to the insurers about any demands or claims pertaining to these ongoing claims and providing all information, assistance and cooperation to the insurers for the conduct of these ongoing claims and/or tentative personal injury claims (if applicable).
2. GMEHK was informed by the legal representative of the insurer of the main contractor that Yip Tak Wah shall also make a personal injury claim arising out of the same injury, but formal proceedings have not yet commenced.
3. The employees' compensation claim under Action No. DCEC1618/2016 and the personal injury claim under Action No. HCPI1436/2016 involving Chan Tak Nam arose out of the same injury.

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Potential litigations against our Group as at the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, our Group recorded 32 work injury accidents which may give rise to potential employees' compensation and/or common law personal injury claims.

Potential claims refer to those accidents for which no claims have been commenced against our Group but are within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the dates of the relevant accidents pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). These accidents were caused during the usual and ordinary course of our business and have not caused disruption to our Group's business. Since no court proceedings have commenced, we are not in a position to assess the likely quantum of such potential claims should they be initiated against our Group. Based on the contracts entered into between our Group and the main contractors and our Directors' understanding of the industry practice, our Directors are of the view that the amount of such potential claims to be borne by our Group in the proceedings shall be covered by the relevant insurance policies of the main contractors and to the extent that such amount is not covered by the relevant insurance policies, it will be indemnified by our Controlling Shareholders pursuant to the Deed of Indemnity, which details are set out under the paragraph headed "8. Other information – D. Tax and other indemnities" in Appendix V to this prospectus. Thus, such potential claims would not result in any material impact on the financial position or results and operations of our Group. Please see below a summary of the expiry of limitation period of the aforesaid work injury accidents which happened during the Track Record Period and up to the Latest Practicable Date:

Year	Number of employees' compensation claims which limitation period will expire	Number of personal injury claims which limitation period will expire
2017	9	14
2018	6	10
2019	<u>0</u>	<u>8</u>
Total:	<u><u>15</u></u>	<u><u>32</u></u>

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Material litigations against our Group settled during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we had settled the following material claims (being claims which had been settled at amounts of HK\$100,000 or above):

Particular of the claims	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Settlement amount
<i>Employees' compensation claims</i>			
1. Hand injury. (Action No. DCEC314/2013)	Pang Shing Kin	GMEHK, another subcontractor and a main contractor	HK\$350,000 (exclusive of costs) (Note 1)
2. Left shoulder injury hit by a falling iron bar while lifting up a water pump. (Action No. DCEC663/2013) (Note 2)	Cai Xiaomin	GMEHK and a main contractor	HK\$506,578.40 (exclusive of costs) (Note 3)
3. Right little finger injury caught in between a shutter's leg and bracket while putting in a wooden wedge. (Action No. DCEC690/2014)	Hung Man Pok	GMEHK and a main contractor	HK\$391,973.33 (exclusive of costs) (Note 4)
4. The injured suffered ruptured left bicep tendon and left upper arm injury when a concrete pipe he was carrying fell causing him to be pulled downwards. (Action No. DCEC1266/2015) (Note 5)	Mohammad Faiq	GMEHK and a main contractor	HK\$358,183.60 (inclusive of interest but exclusive of costs) (Note 6)
5. The injured suffered left third metacarpal shaft fracture when tripped over by a tool box. (Action No. DCEC2753/2016)	Cai Xiaomei	GMEHK and a main contractor	Settlement amount not known (Note 7)
<i>Personal injury claims</i>			
6. Facial injury while manually carrying a timber formwork. (Action No. DCPI2224/2013)	Huang Defu	GMEHK and a main contractor	HK\$100,000 (exclusive of costs) (Note 8)
7. Left shoulder injury hit by a falling iron bar while lifting up a water pump. (Action No. HCPI1008/2014) (Note 2)	Cai Xiaomin	GMEHK and a main contractor	HK\$956,578.40 (exclusive of costs) (Note 9)
8. The injured suffered ruptured left bicep tendon and left upper arm injury when a concrete pipe he was carrying fell causing him to be pulled downwards. (Action No. HCPI57/2016) (Note 5)	Mohammad Faiq	GMEHK and a main contractor	HK\$1,608,183.60 (inclusive of interest but exclusive of costs) (Note 10)

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Notes:

1. According to the consent order issued by the court dated 30 April 2014, the claim has been settled. The said settlement amount was ordered against all relevant defendants and the settlement amount and litigation costs were fully covered by the relevant insurance policy of the main contractor.
2. The employees' compensation claim under Action No. DCEC663/2013 and the personal injury claim under Action No. HCPI1008/2014 involving Cai Xiaomin arose out of the same injury.
3. According to the consent order issued by the court dated 27 December 2013, the claim has been settled. The said settlement amount was ordered against all relevant defendants and the settlement amount and litigation costs were fully covered by the relevant insurance policy of the main contractor.
4. According to the consent order issued by the court dated 10 October 2014, the claim has been settled. The said settlement amount was ordered against all relevant defendants and the settlement amount and litigation costs were fully covered by the relevant insurance policy of the main contractor.
5. The employees' compensation claim under Action No. DCEC1266/2015 and the personal injury claim under Action No. HCPI57/2016 involving Mohammad Faiq arose out of the same injury.
6. According to the consent order issued by the court dated 20 May 2016, the claim has been settled. The said settlement amount was ordered against all relevant defendants and the settlement amount and litigation costs were fully covered by the relevant insurance policy of the main contractor.
7. According to a letter issued by the Commissioner for Labour dated 27 January 2017, the claim has been settled. However, it is the policy of the insurer that the settlement amount will not be disclosed.
8. According to the Notice of Acceptance of Sanctioned Payment filed to the court on 20 May 2015, the claim has been settled, and such settlement amount has been paid by GMEHK.
9. According to the consent order issued by the court dated 17 March 2016, the claim has been settled. The said settlement amount was ordered against all relevant defendants and the settlement amount and litigation costs were fully covered by the relevant insurance policy of the main contractor. As stated in the said consent order, credit has been given to the sum of HK\$506,578.40 being the employee's compensation already received by Cai Xiaomin under Action No. DCEC633/2013.
10. According to the consent order issued by the court dated 9 November 2016, the claim has been settled. The said settlement amount was ordered against all relevant defendants and the settlement amount and litigation costs were fully covered by the relevant insurance policy of the main contractor. As stated in the said consent order, credit has been given to the sum of HK\$358,183.60 being the employee's compensation already received by Mohammad Faiq under Action No. DCEC1266/2015.

Our Directors are of the view that the ongoing claims in general arose as a result of accidents which occurred due to insufficient safety and health awareness amongst the employees. Our Group takes workplace safety seriously and are committed to provide a safe and healthy working environment. Please refer to the paragraph headed "Health and work safety" in this section of the prospectus for safety measures implemented by our Group.

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No provision for the ongoing litigation claims

For the ongoing litigations in relation to employees' compensation claims and personal injury claims, having considered, amongst other things, (i) the nature and the degree of injuries of the relevant incidents; (ii) the status of the injured employees; (iii) the coverage of insurance maintained by our main contractors; and (iv) the indemnity given by our Controlling Shareholders as mentioned below, our Directors consider that the ultimate liability under these claims would not have a material adverse impact on the financial position or results of our Group and no provision for contingent liabilities in respect of the ongoing litigations would be necessary.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed, subject to the terms and conditions of the Deed of Indemnity, to indemnify our Group in respect of, among other matters, all losses and liabilities arising from any litigations against our Group. Further details of the Deed of Indemnity are set out under the paragraph headed "8. Other information – D. Tax and other indemnities" in Appendix V to this prospectus.

19. CONTRACTUAL DISPUTE

During the Track Record Period, GMEHK had been involved as one of the defendants in a litigation in the High Court of Hong Kong, HCA No. 2060 of 2011 (the "**Contractual Dispute**").

The Contractual Dispute was brought against GMEHK and Ming Kee Property Development Limited ("**Ming Kee Property**") by Chu Wan Fuk ("**CWF**"), the current manager of Chu Cheong Man Tso, a tso (the "**Tso**") in Hong Kong, which was the counterparty with which GMEHK intended to cooperate in the development of certain small houses in the New Territories in 2008 (the "**Project**").

A tso is an ancestral worship trust which exists under Chinese law and custom as an institution of that legal system. The institution of tso is given recognition by Hong Kong laws. It takes the form of an endowment in perpetuity of property for the purpose of ancestral worship. The manager is the trustee while the members (all male descendants for the time being of the common ancestor) of the tso are beneficiaries. Land derived from a common ancestor and so endowed is enjoyed by his male descendants for the time being, living for their lifetimes and so from generation to generation indefinitely.

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Relationship with the parties involved in the Contractual Dispute

To the best of our Directors' knowledge, information and belief, having made reasonable enquiries, Chu Muk Sang ("CMS") (the ex-manager of the Tso), CWF, the Tso and all the indigenous villagers involved in the Project are all Independent Third Parties and have neither any present nor past relationships with our Company and its subsidiaries, their respective shareholders, directors or associates other than their involvement in the Project and the Contractual Dispute.

CWF had acted as the agent for CMS/the Tso in relation to the Project before he succeeded CMS in acting as the manager of the Tso. Our Directors understand from Ming Kee Property that after the death of CMS in March 2009, no person was formally approved and registered as the manager of the Tso until September 2011, when Ming Kee Property was informed by CWF that he had been formally approved and registered as the manager of the Tso. Prior to May 2009 and prior to the entering into of the Transfer Agreement (as defined below), Ms. Lau Mei San ("**Ms. Lau**"), the cohabitant of Mr. Sit Kim Ming ("**Mr. Sit**"), and Mr. Sit, both Independent Third Parties were the directors and shareholders of Ming Kee Property, holding 30% and 70% of the issued share capital respectively. Mr. Ng was appointed a director in April 2009 and was transferred a total of 50% of the issued share capital of Ming Kee Property from Mr. Sit in May 2009. Such transfer was at nil consideration, serving as a reward to Mr. Ng for his efforts in assisting Mr. Sit on the Project. Based on public documents, such 50% shareholding in Ming Kee Property was held by Mr. Ng at all times during the period of the Contractual Dispute. According to Mr. Ng, Ming Kee Property had not commenced any business prior to the taking up of the Project and Ming Kee Property did not have any asset at the time of the transfer. Apart from Mr. Ng being a common shareholder and director (before he resigned from his directorship in our Company, GMEBVI and GMEHK) in Ming Kee Property and our Group, Ming Kee Property has no present or past relationship with our Company and its subsidiaries, their respective shareholders, directors or associates. Ming Kee Construction Company Limited ("**Ming Kee Construction**"), is a company incorporated in Hong Kong, the shares of which were wholly-owned by Mr. Sit and Ms. Lau in around 2006. Ming Kee Construction had no involvement in the Project and the Contractual Dispute, but has had past business relationship with GMEHK whereby GMEHK used to act as a subcontractor of Ming Kee Construction in some civil engineering works projects in 2006 through the acquaintance of Mr. Ng with Mr. Sit. To the best knowledge and belief of our Directors, Mr. Sit was the director and shareholder of Ming Kee Construction at the time of its establishment. Ming Kee Construction was primarily engaged as a main contractor for construction projects for the Home Affairs Department of Hong Kong. Further, Ming Kee Construction had also once been engaged as the builder of several village houses at a location close to where the Lots are situated ("**Previous Building Project**").

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According to Mr. Ng's understanding, upon completion of the Previous Building Project, Mr. Sit would like to expand his scope of business to include village house construction services. Mr. Sit therefore together with Ms. Lau set up a separate entity, Ming Kee Property, in 2008 to pursue this line of business.

Since the Contractual Dispute in 2011, none of our Directors has had any business dealings with Mr. Sit in any capacity. Apart from the Project, none of our Directors had been or are involved in any form of property development business.

It was through the personal network and connection of Mr. Sit with the Tso and the relationship between Mr. Ng and Mr. Sit that Mr. Boris Chuang first learnt about the business opportunity in relation to the Project. Despite having no experience in property development, and in particular, the development of small houses in the New Territories, Mr. Boris Chuang and Mr. Ng (on behalf of GMEHK) decided to get involved in the Project because (i) it was believed that GMEHK could create a new line of business and the Project could be profitable and beneficial to GMEHK; and (ii) the Project was introduced by Mr. Sit, the then shareholder of Ming Kee Construction which had experience in constructing small houses and whom GMEHK has previous dealings with, and the taking up of the Project was seen by GMEHK as an opportunity to continue developing a business relationship with Mr. Sit.

Circumstances leading to the Contractual Dispute

On or about 11 January 1999, CMS, the then manager of the Tso entered into a development agreement with one Kwok Wai Ming ("**Kwok**") relating to the development of Lot No. 504 in Demarcation District No. 45 ("**Lot 504**") in Kai Kuk Shue Ha Village, Sha Tau Kok, New Territories, which is close to Lok Kan (鹿頸) in Hong Kong (the "**1999 Agreement**"). On or about 2 February 1999, Lot 504 was assigned to Kwok by CMS as the then manager of the Tso at a consideration of HK\$2,125,728. Pursuant to the 1999 Agreement, Lot 504 was divided into 11 small lots, namely Lots 504A to 504J and 504R.P. (the "**Lots**") for the erection of ten small houses and a carpark/public road, on or about 25 March 1999 by a deed poll. On or about 28 May 1999, Lots 504A to 504J were assigned to ten indigenous villagers while Lot 504R.P. remained in the name of Kwok for building the carpark/public road. The 1999 Agreement expired in or about January 2006 as the relevant applications for the building works in performance of the 1999 Agreement had not been made within the seven-year period as stipulated in the 1999 Agreement. By an order made by the High Court of Hong Kong dated 21 April 2008 in HCA No. 295 of 2008, the assignment dated 2 February 1999 was declared void, invalid and unenforceable, and the respective Lots were re-conveyed to the Tso.

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In or about September 2008, GMEHK and CWF as agent of CMS/the Tso entered into a written agreement (“**2008 Agreement**”) pursuant to which (i) GMEHK agreed to develop the Lots (which comprised the construction of ten small houses) and be responsible for all the costs and expenses incurred in connection with the Project; (ii) the Tso agreed to transfer the Lots (other than Lot 504R.P.) to ten indigenous villagers in order to facilitate application for building licence for the Project; and (iii) in consideration of the construction of the ten small houses, the ownership of seven and three of the ten small houses (including the underlying Lots) would be transferred to GMEHK and the Tso respectively by the indigenous villagers upon completion of the Project. There was no other provision in the 2008 Agreement that will accrue any other rights or benefits on the Tso and/or the nine indigenous villagers. The 2008 Agreement also provided that (i) it shall be cancelled in the event the parties fail to obtain the building licence and/or fail to complete the construction of the small houses within seven years from the date of the 2008 Agreement; and (ii) upon the cancellation of the 2008 Agreement, GMEHK shall re-convey the Lots back to the Tso.

Mr. Boris Chuang and Mr. Ng, on behalf of GMEHK, prepared the 2008 Agreement by adapting the format of the 1999 Agreement because (i) neither GMEHK, Mr. Boris Chuang nor Mr. Ng had previously dealt with contracts of a similar nature relating to the development of small houses or had experience in the business in this area; and (ii) Mr. Boris Chuang and Mr. Ng were reassured by the Tso/CWF (as agent of CMS/the Tso) that the 1999 Agreement was the usual form used for similar types of development, and they did not instruct lawyers to prepare such agreement. At the time of entry into the 2008 Agreement, Mr. Boris Chuang had reviewed the terms of the agreement and taken the view that the agreement relates to the construction of small houses, which was a commercially reasonable and simple arrangement based on GMEHK’s involvement in the construction related business. As such, it was considered not necessary to engage legal advisers in advising on the terms of the 2008 Agreement. Mr. Boris Chuang had indeed considered the terms of the 2008 Agreement, and did make certain amendments to the agreement (including expanding the scope of circumstances which GMEHK may exit from the Project) so as to give better protection to GMEHK in the event the Project does not proceed and the 2008 Agreement has to be terminated.

At the time of signing of the 2008 Agreement, Mr. Boris Chuang made his decision to proceed on the premise that he had conducted preliminary due diligence work including (i) market research in relation to the rural property market; (ii) having considered the fact that the opportunity was initiated by Mr. Sit, a business associate with whom GMEHK had successfully partnered with in the past and who, based on Mr. Boris Chuang’s understanding, had participated in several small house construction projects; (iii) land searches on the Lots; and (iv) calculated the economics of the Project as well as the financial capability of GMEHK at that time, which indicated that it could be a viable opportunity to expand GMEHK’s scope of business.

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After the signing of the 2008 Agreement, on or about 16 September 2008, pursuant to the 2008 Agreement, Lots 504A and 504C to 504J were assigned to nine indigenous villagers while Lot 504B (due to the death of the indigenous villager originally nominated to take up such assignment) and Lot 504R.P. (for the construction of a car-park/public road) were assigned to GMEHK by CMS as the then manager of the Tso. The nine indigenous villagers were not the ultimate beneficial owners of the Lots as the Lots were transferred to the respective indigenous villagers for the purpose of the Project. CWF had represented to GMEHK that the ultimate beneficial ownership of the Lots had always belonged to the Tso while the nine indigenous villagers were named by the Tso to hold the Lots as legal owners in the capacity of trustee of the Tso. Neither our Group nor Ming Kee Property was aware of the reasons why and how these nine indigenous villagers were selected by the Tso. It is the understanding of our Directors that the purpose of transferring the legal title of the Lots to the nine indigenous villagers was to facilitate the Project. The consideration on each of the said transfers was documented at HK\$250,000 (which was (according to the understanding of the Directors at the time) considered as a fair market value in the opinion of the relevant transferor and transferees) for stamp duty adjudication purposes. It was agreed that no monetary consideration in respect of such assignments was to be passed to CMS or the Tso by GMEHK. No funds had changed hands between GMEHK and CMS, the then manager of the Tso or the Tso or their agent(s) in respect of such assignments.

With the death of CMS in March 2009, GMEHK decided to withdraw from the Project as it was unknown when a new manager, whose role would be essential to the Project, could be formally appointed. In exercising the due care as a director of GMEHK, Mr. Boris Chuang considered the costs and benefits as well as the uncertainties associated with continuing with the Project in the context of the then circumstances. He formed the view that it would be in the best interest of GMEHK not to proceed with the Project and therefore discussed with the Tso to withdraw from the Project. To honour the relationship between Mr. Sit and the Tso, Mr. Sit (with the assistance of Mr. Ng) decided to take up the Project, on the condition that the then registered owners of the Lots (being nine indigenous villagers and GMEHK) shall transfer the Lots to Ming Kee Property in the event the Project fails to proceed or complete. Since it was intended that Ming Kee Property would take up all the rights and obligations of GMEHK under the Project and be responsible for all the costs incurred in the development of the Project, in April 2009 CWF (as agent of the Tso) offered to Ming Kee Property that in the event the Project failed to proceed and complete, the Lots would be transferred to Ming Kee Property as a gesture of goodwill and as security for the monetary costs and efforts to be incurred or invested by Ming Kee Property in respect of the Project. Although such arrangement was not documented in the 2008 Agreement or the Transfer Agreement, to facilitate future transfer of the Lots in the event the Project failed to proceed and complete, shortly after the execution of the Transfer Agreement (as defined below), CWF (as agent of the Tso) did procure the indigenous villagers to execute and each of the nine indigenous villagers executed an assignment as assignor to transfer the Lot of which he was the respective registered owner (i.e. Lots 504A and 504C to 504J) to Ming Kee Property for Ming Kee Property to hold in escrow (together the “**Assignments in**

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Escrow”). To the best of our Directors’ knowledge, in the event the Project failed to proceed, Ming Kee Property was at liberty to counter-execute the Assignments in Escrow as assignee to transfer the relevant Lots to itself. If the Project were to proceed, the legal title of Lots 504A and 504C to 504J would remain with the nine indigenous villagers and GMEHK would transfer Lot 504B and Lot 504R.P. to an indigenous villager to be selected by the Tso and Ming Kee Property respectively to facilitate the Project. Despite the development status of the Project remained uncertain at the time of the execution of the Assignments in Escrow by the nine indigenous villagers, Ming Kee Property remained optimistic that the Project could proceed. As a result, Ming Kee Property did not at the time complete the transfers to itself of (i) Lots 504A and 504C to 504J from the nine indigenous villagers due to its then optimism in the prospects of the Project; (ii) Lot 504B from GMEHK as it was pending selection by the Tso of an indigenous villager to take up ownership of such lot directly from GMEHK through one single transfer (so as to avoid the additional legal and other fees of transferring such lot twice, first from GMEHK to Ming Kee Property and then onward to the selected indigenous villager); and (iii) Lot 504R.P. from GMEHK as it wanted to defer the incurrence of the related legal and other fees while pending better clarity of the development status of the Project. Ming Kee Property did not counter-execute the Assignments in Escrow and did not require GMEHK to complete the relevant assignments until March 2011 when it became unlikely for the Project to proceed successfully, details of which are contained below.

In or around September 2009, GMEHK and Ming Kee Property executed a written development right transfer agreement (the “**Transfer Agreement**”), pursuant to which GMEHK agreed to transfer all its property development rights under the 2008 Agreement to Ming Kee Property on the same terms and conditions of the 2008 Agreement at a consideration of HK\$100,000, which was settled and determined on the basis of the approximate total expenditure incurred by GMEHK in relation to the transfer of the Lots under the Project which included (i) professional fees in relation to the transfers of the Lots from Kwok and ten indigenous villages to the Tso on or about 21 April 2008, and from the Tso to nine indigenous villagers and GMEHK on or about 16 September 2008; (ii) liaison fees paid to CWF to facilitate the Project; and (iii) miscellaneous disbursements. No funds were transferred between GMEHK and the Tso before Mr. Boris Chuang decided that it would be in the best interest of GMEHK not to proceed with the Project and/or before GMEHK eventually withdrew from the Project. All the rights, obligations and benefits under the 2008 Agreement were transferred by GMEHK to Ming Kee Property under the Transfer Agreement. Soon after the Transfer Agreement had been executed, Ming Kee Property gave a written undertaking (the “**Undertaking**”) to GMEHK whereby Ming Kee Property agreed to be liable for all of GMEHK’s responsibilities and costs in relation to the Lots, whereas CWF (as agent of the Tso) also procured the nine indigenous villagers and GMEHK (who

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were the then registered owners of the Lots) to execute the Assignments in Escrow. The Tso was not a party to the Transfer Agreement when it was executed in or around September 2009 as the Tso had yet to formally appoint a manager at the time to execute legal documents on its behalf. Notwithstanding the Tso not being a party to the Transfer Agreement, the Directors understand that CWF (as agent of Tso) had agreed to and acknowledged the Transfer Agreement.

Based on our understanding, Ming Kee Property was willing to take up the Project as (i) Mr. Sit and Mr. Ng, being Ming Kee Property's shareholders and directors, still believed in the prospect of the Project at that time; and (ii) it was to honour the personal connection between Mr. Sit and the Tso. Ming Kee Property provided the Undertaking to GMEHK because GMEHK would not have agreed to transfer the development rights under the 2008 Agreement to Ming Kee Property without the indemnification and after the transfer of such rights, Ming Kee Property would solely be entitled to all the rights and be responsible for all the obligations pursuant to the 2008 Agreement, including enjoying the benefits arising from the 2008 Agreement.

Since the entering into of the 2008 Agreement through the execution of the Transfer Agreement until settlement of the Contractual Dispute (details of the settlement are more particularly set out under the paragraph headed "Settlement of the Contractual Dispute" of this section below), GMEHK had not carried out any work in relation to the Project and no application has been made to the Lands Department for building licence by any indigenous villager, GMEHK or Ming Kee Property.

Shortly after the Transfer Agreement was executed in September 2009, Ming Kee Property, with the approval and endorsement of the Tso received from CWF (as agent of the Tso) and at the request of the indigenous villagers, carried out certain backfill works ("**Backfill Works**") on six of the Lots of which the then registered owners were GMEHK and four indigenous villagers (the "**Backfilled Lots**"). According to Mr. Ng's understanding, the indigenous villagers had considered the condition of the location where the Backfilled Lots were situated (which was in the form of a pond) dangerous. As part of the pond had not been maintained for 20 to 30 years, stagnant water was trapped causing the breeding of mosquitoes which affected the villagers. Further, the pond was deep and hidden by overgrowing grass. Livestock had been drowned there and it could potentially be a hazardous area for visitors and children. It was the mutual understanding of Mr. Sit and the Tso that carrying out the Backfill Works would be beneficial to (i) future development of the Lots, and (ii) the Tso and the villagers living nearby as a whole regardless of the ultimate use of the Lots.

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On 15 June 2010, even though GMEHK was no longer involved in the Project, GMEHK (instead of Ming Kee Property), together with the relevant indigenous villagers, were convicted and fined HK\$5,000 each in their capacity as the registered owners of respective sections of the Backfilled Lots for failing to comply with notices under section 23(1) of the Town Planning Ordinance (Cap. 131 of the Laws of Hong Kong) (“TPO”) issued by the Planning Department to them requiring the reinstatement of the Backfilled Lots, in contrary to section 23(6) of the TPO as GMEHK had yet to effect the transfer of the relevant Backfilled Lots to Ming Kee Property. The said fine of HK\$5,000 imposed on GMEHK was paid by Ming Kee Property for and on behalf of GMEHK pursuant to the terms of the Undertaking. Separately, on 23 November 2010, Ming Kee Property was also prosecuted and fined HK\$2,000 for failure to comply with a notice issued by the Environmental Protection Department requiring Ming Kee Property to provide information about matters related to waste disposal on the Lots as Ming Kee Property had not responded to the notice within the prescribed time limit. Based on the understanding of our Directors, apart from the Backfill Works conducted on the Backfilled Lots mentioned above, no work has been conducted by Ming Kee Property with respect of the Lots. There was also no work conducted by GMEHK at all times since the entering into of the 2008 Agreement.

The indigenous villagers were not entitled under any of the 2008 Agreement, the Transfer Agreement and any other documentation relating to the Project to which GMEHK and/or Ming Kee Property were/was a party, to receive any payments or benefits for their involvement in the Project. GMEHK had not at any time made any payment to the indigenous villagers in relation to the Project. It is the understanding of our Directors that subsequent to the execution of the Transfer Agreement, Ming Kee Property had agreed to pay a sum to the indigenous villagers. According to Mr. Ng’s understanding, Mr. Sit, on behalf of Ming Kee Property, had discussed with the indigenous villagers that a sum of around HK\$120,000 would be payable to each indigenous villager upon the completion of the Project for his involvement and cooperation in the Project. According to the understanding of our Directors, in February 2010, a total amount of HK\$20,000 was paid to four of the indigenous villagers (as Ming Kee Property had been informed that five of the indigenous villagers had decided to withdraw from the Project) as a gesture of goodwill to secure their ongoing commitment and cooperation and to compensate the time and efforts spent, for example, in attending discussion meetings in respect of the Project.

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In February 2011, taking into account (i) no person had been formally appointed as manager of the Tso to officially act as the representative and facilitator of the Project on behalf of the Tso since the death of CMS in March 2009; (ii) Ming Kee Property was informed that five of the indigenous villagers had decided to withdraw from the Project; and (iii) the difficulties Ming Kee Property faced in pursuing the Project, Mr. Sit and Mr. Ng formed the view that it was unlikely for the Project to proceed successfully. As a result, in March 2011 Ming Kee Property counter-executed the Assignments in Escrow to complete the transfer of nine of the Lots to itself. At the same time, GMEHK and Ming Kee Property entered into assignments to transfer the remainder of the Lots (held by GMEHK at the time) from GMEHK to Ming Kee Property. On 24 March 2011, the Lots were transferred to Ming Kee Property from GMEHK and the nine indigenous villagers by assignments (the “**Assignments**”) which were documented to be each at a consideration of HK\$250,000 (which was, in the opinion of the transferor and transferees, a fair market value of the Lots) for stamp duty adjudication purposes. No monetary consideration in respect of the Assignments had been passed from Ming Kee Property to GMEHK and the nine indigenous villagers. Until the execution of the Assignments in Escrow in March 2011 and the transfer of the Lots, Ming Kee Property was not aware of any person (including CWF) being formally approved and registered as the manager of the Tso.

In light of the above, there is no contradiction between the original intention contemplated under the 2008 Agreement and the transfers of the Lots to Ming Kee Property, as such transfers (which did not form part of the provisions in the 2008 Agreement or the Transfer Agreement) were separately agreed between CWF (as agent of the Tso) and Ming Kee Property without the involvement of GMEHK. However, the Contractual Dispute arose due to a dispute as to whether such arrangement had been agreed between Ming Kee Property and the Tso, given the arrangement mentioned above was a verbal arrangement reached between the parties.

The Contractual Dispute

In December 2011, CWF in a representative capacity as the manager of the Tso for all its members commenced a legal proceeding against GMEHK, Ming Kee Property and the nine indigenous villagers, alleging that GMEHK had repudiated the 2008 Agreement, and claiming that Ming Kee Property should re-convey the Lots to the Tso in accordance with the implied term of the 2008 Agreement, together with the legal costs they had incurred or may incur.

On 25 October 2014, Ming Kee Property and GMEHK filed a re-re-amended defence of the 1st and 2nd defendants and re-re-amended counterclaim of the 2nd defendant for the loss suffered by Ming Kee Property as a result of the breach of the 2008 Agreement and other agreements made pursuant to the Project on the part of the Tso. On 10 November 2014, pursuant to the application by the Tso, by consent, the Tso was granted leave to discontinue the action against the nine indigenous villagers.

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Settlement of the Contractual Dispute

On or about 18 November 2014, the Tso's solicitors issued a sanctioned offer in relation to the Contractual Dispute (the "**Sanctioned Offer**") to the then solicitors for GMEHK and Ming Kee Property, in full and final settlement of all of the Tso's claim against GMEHK and Ming Kee Property, that (i) Ming Kee Property convey the Lots to the Tso free from incumbrances and with vacant possession; and (ii) Ming Kee Property and GMEHK pay the Tso's costs of the Contractual Dispute on a party and party basis, to be taxed if not agreed. On 8 April 2016, Ming Kee Property and GMEHK settled the Contractual Dispute with the Tso by accepting the Sanctioned Offer. The reason for accepting the Sanctioned Offer was to draw a conclusion to the prolonged court case, having considered the legal and other costs already and to be incurred in respect of the Project and the Contractual Dispute if it were to continue. According to our understanding, Ming Kee Property was willing to accept conveying the Lots to the Tso as the Lots would be of no value to Ming Kee Property if the Project could not proceed. As regards GMEHK, it had not been involved in the Project since the signing of the Transfer Agreement in late 2009 and had all along taken a passive role in the Contractual Dispute, following the lead of Ming Kee Property when the Contractual Dispute arose as Ming Kee Property was the one who had actual interest in the Contractual Dispute and had signed the Undertaking in favour of GMEHK. All legal costs and expenses as a result of the Contractual Dispute have been incurred and settled by Ming Kee Property directly. As of 31 December 2016, GMEHK had not incurred any legal costs or expenses as a result of the Contractual Dispute and no amount of such costs or expenses was pending reimbursement from Ming Kee Property.

Details of the 2008 Agreement and its potential implications

The Small House Policy of the Hong Kong Government provides that male indigenous villagers are entitled to a piece of land within a village area, on which a village-type house can be built. The policy requires any eligible indigenous villager to be the legal and beneficial owner of the land throughout the time of the construction of the village-type house. In making an application to the Lands Department for a building licence, such indigenous villager has to make a representation representing himself as the true legal and beneficial owner of a piece of land.

The legality of the 2008 Agreement depends on whether it requires the parties to the 2008 Agreement to carry out any illegal act. As advised by Mr. Valentine Yim ("**Mr. Yim**"), a barrister-in-law in Hong Kong and the Company's Hong Kong special legal counsel, there are no express terms in the 2008 Agreement as to whether the performance of the agreement would necessarily involve the indigenous villager making a false declaration/representation to the Lands Department representing himself as the true legal and beneficial owner of a piece of land.

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An agreement would amount to a conspiracy to defraud and hence illegal only if the parties to such agreement had actual knowledge of all the material circumstances of the offence.

Mr. Boris Chuang and Mr. Ng were not aware that the arrangement contemplated under the 2008 Agreement might have involved making false declaration or representation to the Hong Kong Government by the indigenous villages when preparing the 2008 Agreement.

Mr. Yim was of the opinion that based on the circumstances of the case, it is unlikely that Mr. Boris Chuang or Mr. Ng would be regarded as having the actual knowledge for a conspiracy to defraud the Hong Kong Government. Factors taken into consideration by Mr. Yim in reaching such view included Mr. Boris Chuang and Mr. Ng were inexperienced in the business of development of small houses; the 2008 Agreement had been prepared without assistance from legal advisers by adapting the 1999 Agreement (to which neither GMEHK nor Ming Kee Property were parties) with only very few changes and the Transfer Agreement had been prepared without assistance from legal advisers and refers to the same terms in the 2008 Agreement. At the time the 2008 Agreement was prepared and at the time the Transfer Agreement was concluded, there was a dearth of case law on how agreement for small houses development would amount to a criminal offence and uncertainty in the interpretation of the administrative procedures for the development of small houses.

Details of the Transfer Agreement

As advised by Mr. Yim, subject to the legality of the 2008 Agreement as discussed in the preceding paragraph, the Transfer Agreement constitutes a valid and enforceable novation due to, among others, the following reasons: (i) the transfer was supported by consideration; and (ii) consent from CWF (as agent of the Tso) has been obtained prior to the Transfer Agreement. As such, all the property development rights of GMEHK under the 2008 Agreement have been transferred to Ming Kee Property on the same terms and conditions of the 2008 Agreement.

Involvement of Mr. Boris Chuang and Mr. Ng in the Project

Mr. Boris Chuang had only prepared (by adapting the 1999 Agreement) and signed the 2008 Agreement and the Transfer Agreement on behalf of GMEHK. Mr. Ng had also been involved in the preparation of the 2008 Agreement (by adapting the 1999 Agreement) and had been representing GMEHK in all the discussions and negotiations with Mr. Sit and the Tso and updating Mr. Boris Chuang on the status of the Project before the rights of the 2008 Agreement were transferred to Ming Kee Property under the Transfer Agreement. After the signing of the Transfer Agreement and the Undertaking, Mr. Ng had been involved in the Project only as a representative of Ming Kee Property but involved in the Contractual Dispute as both a representative of Ming Kee Property and GMEHK to provide instructions and witness statements to their solicitors. Save as disclosed above, none of our Group's directors and senior management (current or former) were involved in the Project and the Contractual Dispute.

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As GMEHK was presented with the business opportunity for taking part in the Project by Mr. Ng through his relationship with Mr. Sit, who in turn had personal networks with the Tso, our Company took the view that Mr. Ng was the most appropriate person from GMEHK to handle the Project. Further, the management team of GMEHK was also of the view that from the perspective of human resources allocation, it was sufficient and most appropriate for Mr. Ng to oversee the management of the Project, as the Project was in an exploratory phase, and Mr. Ng is a qualified Registered Professional Engineer with prior experience of dealing with Buildings Department and Development Bureau. Much of Mr. Boris Chuang's time commitment and attention at the time was also required by his other private businesses outside of GMEHK which were of a much larger scale than that of GMEHK's then and which details are set out in the paragraph below. Under the then arrangements, Mr. Ng reported from time to time to the board of directors of GMEHK on the progress of the Project prior to the transfer under the Transfer Agreement.

At or around the time when the 2008 Agreement and Transfer Agreement were executed, Mr. Boris Chuang was engaged in (i) distribution of steel products to Fletcher Building Limited, a company listed on Australian Securities Exchange Limited and NZX Limited, through Toprate Steel (Australia) Pty Ltd, a company was owned as to 50% by Mr. Boris Chuang and (ii) the trading of commodities in Australia through GMT. In 2008, the aggregate turnover of the aforesaid businesses amounted to over HK\$30.0 million, which was of a much larger scale than that of GMEHK, which had revenue of approximately HK\$2.1 million for the same year. Mr. Boris Chuang no longer operates these businesses. Toprate Steel (Australia) Pty Ltd was deregistered in 2012 and GMT ceased business in 2014.

Since 2012, Mr. Boris Chuang has been carrying on business in relation to the trading of steel products through GMI, albeit at a much smaller scale, with revenue of approximately HK\$3.6 million for the year ended 31 December 2015. Mr. Boris Chuang is no longer involved in the day-to-day operations of GMI. For details of GMI, please refer to the paragraph headed "Excluded business of our Controlling Shareholders and Directors" in the section headed "Relationship with our Controlling Shareholders" of the prospectus.

Our Directors confirmed that none of our Company and its subsidiaries, their respective shareholders, directors (former or current) or associates had conducted any business in the development of, and/or trading in, small houses in the New Territories, which was in breach of applicable laws, rules and regulations.

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No offence had been committed by and no prosecution had been laid against Mr. Boris Chuang, Mr. Ng, GMEHK or Ming Kee Property in relation to the Project, except in relation to the Backfill Works conducted by Ming Kee Property (for which GMEHK was fined) and the offence related to waste disposal enquiry (for which Ming Kee Property was fined) as disclosed in this prospectus. As GMEHK did not carry out the 2008 Agreement, we are unable to speculate how the 2008 Agreement would have been carried out and whether it, if carried out, could have resulted in an offence. In any event, Mr. Boris Chuang and Mr. Ng have had no intention to commit any offence in carrying out the 2008 Agreement and/or the Transfer Agreement.

As advised by Mr. Yim, based on the materials available to him as at the Latest Practicable Date, he was of the opinion that there is a lack of evidence indicating any wrongdoing or illegal acts associated with Mr. Ng's involvement in the Backfill Works, given (i) it was Mr. Sit and CWF who arranged and caused the Backfill Works; (ii) although Mr. Ng attended the summons hearing on behalf of GMEHK and the four indigenous villagers, this did not mean that he was involved in arranging the Backfill Works; (iii) Mr. Ng was only informed by Mr. Sit of the Backfill Works arrangement subsequently; (iv) Mr. Ng was merely involved in preparing for Mr. Sit relevant documents for CWF to sign the application for approval of the Town Planning Board ("**TPB**") of the proposed backfill works; (v) Mr. Ng prepared for Ming Kee Property's application for the TPB's approval of the proposed backfill works and its subsequent backfill application for TPB's review.

Mr. Yim was of the opinion that whether the Secretary of Justice will make a decision to prosecute an accused person depends on two components – (i) there being admissible evidence available that is sufficient to justify instituting or continuing proceedings; and (ii) the general public interest must require that the prosecution be conducted. However, as our Group is not aware of any investigation that has been conducted against our Group, our Directors, our senior management and/or Mr. Ng and in the absence of other available evidence, the only available documentary evidence relating to the Project which can be taken into consideration are the 2008 Agreement and the Transfer Agreement. As mentioned under the paragraph headed "Details of the 2008 Agreement and its potential implications" in this section, an agreement would amount to a conspiracy to defraud and hence illegal only if the parties to such agreement had actual knowledge of all the material circumstances of the offence. As Mr. Yim was of the opinion that since it is unlikely Mr. Boris Chuang or Mr. Ng would be regarded as having the actual knowledge for a conspiracy to defraud the Hong Kong Government, he considered the chances of the prosecutor making a decision to prosecute our Group, our Directors, our senior management and/or Mr. Ng in relation to the Project are slim.

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Mr. Ng's resignation

Since 11 April 2016, Mr. Ng had ceased acting as a director of our Company, GMEBVI and GMEHK. On 11 November 2016, Mr. Ng tendered resignation from his position as director of GMEHK and other positions held in our Group, with the effective date of such resignation being 10 December 2016. Mr. Ng had voluntarily resigned from the respective positions in our Group due to continual health issues such as a number of chronic illness since around 2014 and his wish to have a better work-life balance and to work under an environment with less pressure. Since Mr. Ng left our Group in December 2016, the original duties of Mr. Ng in our Group such as (i) overseeing the progress of various projects has been undertaken by Mr. Boris Chuang and Mr. Ho; and (ii) making recommendations to our Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for the business of our Group have been undertaken by Mr. Ho.

Our Directors considered that the resignation of Mr. Ng from our Group has no material negative impact on our Group's operation as a whole, including our ability and competency to complete our existing projects, tender for new projects, secure tendered contracts, fulfil other existing contractual obligations and run our day-to-day operations on the bases that (i) our Group has sufficient resources with the required level of competency and capacity to handle existing projects and projects being tendered for; (ii) our executive Directors are responsible for the preparation and submission of tender documents; and (iii) our customer/supplier relationships remain with our executive Directors. Our Directors also consider that after the resignation of Mr. Ng, he will have no significant influence over our Group despite his shareholding of 7.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue on the basis that (i) the Controlling Shareholders will continue to hold a controlling stake after Listing; (ii) there is no agreement or other contractual arrangement among our Shareholders (apart from the Acting in Concert Deed among Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang) related to the consolidation of control or influence over our Company; (iii) Mr. Ng is a minority Shareholder and has no representation in our Board or the board of any of our subsidiaries; and (iv) Mr. Ng is independent from our customers, suppliers and/or subcontractors and is not related to any of our other Shareholders.

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Sponsor's views

The Sponsor, upon using their best endeavours to carefully and duly inquire into and conduct due diligence in relation to the Contractual Dispute, including conducting (i) interviews with Mr. Boris Chuang and Mr. Ng; (ii) litigation searches; and (iii) news searches, was not aware of any investigation of the Group, the Directors, the senior management and/or Mr. Ng in relation to the Project. Having considered (i) both Mr. Boris Chung or Mr. Ng were inexperienced in the development of small houses; (ii) there was at the material time a dearth of case law on how the development of small house would lead to a criminal offence and uncertainty in the interpretation of administrative procedures for the development of small houses; (iii) that the Contractual Dispute is stayed and settled; and (iv) Mr. Yim's views, our Sponsor is of the view that the Contractual Dispute does not affect the suitability of our Directors to act as directors under Rules 5.01 and 5.02 of the GEM Listing Rules and this one-off incident does not affect the suitability for our Company's listing under Rule 11.06 of the GEM Listing Rules.

20. INTERNAL CONTROLS

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

In addition, our Directors will retain an external legal adviser to review contracts outside our ordinary course of business to be entered into by any member of our Group before the contracts are executed. Such scope of contract shall include: (i) any contract in relation to businesses which are outside the scope of the primary business of our Group as set out in this prospectus (e.g. underground construction works); (ii) any contract relating to new business where our Group is not familiar with; or (iii) any contract with new customers of our Group.

In addition, our Group has implemented due diligence procedures such as (i) analysing potential customer's financial statements, if available; (ii) checking the potential customer's website to understand its background; and (iii) conducting independent searches on the directors and shareholders of the potential customer, before entering into contracts with new customers.

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Furthermore, any new business investment of our Group, including but not limited to acquisition of new business, investment in new business or company, and formation of joint venture, will be accompanied by a business plan and appropriate financial and legal opinions. The independent non-executive Directors and the executive Directors of our Group will then review and approve such new business investment opportunities before our Group enters into any agreement in relation to them.

In terms of corporate governance, our Group has (i) established the Audit Committee to assist our Board in providing independent view on the effectiveness of our financial reporting process and internal control and risk management systems, and overseeing the audit process; and (ii) provided (and will continue to provide) our Directors and senior management with training, development programs on applicable legal and regulatory requirements from time to time.

21. AWARDS

In recent years, our Group has also been given the following awards by some of our major customers:

Award	Date of award	Nature	Awarded by
“Best Subcontractor Safety Performance” Award	August 2010	In recognition of the Company’s outstanding subcontracting services	Customer C
“Best Subcontractor Safety Performance” Award	November 2010	In recognition of the Company’s outstanding subcontracting services	Customer C
“Best Subcontractor Safety Performance” Award	July 2011	In recognition of the Company’s outstanding subcontracting services	Customer C
“Best Subcontractor Safety Performance” Award	December 2011	In recognition of the Company’s outstanding subcontracting services	Customer C

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Award	Date of award	Nature	Awarded by
“Best Performance in Temporary Work Control” Award	February 2012	In recognition of the Company’s outstanding subcontracting services	Customer C
“Best Performance on Quality of Works” Award	February 2012	In recognition of the Company’s outstanding subcontracting services	Customer C
“Model Subcontractor” Award	May 2012	In recognition of the Company’s outstanding subcontracting services	The Development Bureau and Construction Industry Council of Hong Kong
“Best Subcontractor Environmental Performance” Award	January 2014	In recognition of the Company’s outstanding subcontracting services	Customer C
“Outstanding Subcontractor Safety Performance” Award	March 2016	In recognition of the Company’s outstanding subcontracting services	Customer B

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Placing and the Capitalisation Issue, the Chuang Family is expected to hold 60% of the enlarged issued share capital of our Company.

For the purpose of the GEM Listing Rules, members of the Chuang Family, being Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang are our Controlling Shareholders. For the background of Mr. Stephen Chuang and Mr. Boris Chuang, please refer to the paragraph headed “Executive Directors” under the section headed “Directors, senior management and employees” of this prospectus.

Our Controlling Shareholders have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) and will continue to be parties acting in concert after the Listing until they cease to be shareholders of the Company. For details, please refer to the paragraph headed “Acting in Concert Deed” in the section headed “History and Reorganisation” of the prospectus.

Excluded business of our Controlling Shareholders and Directors

During the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders and Directors and their respective close associates had been interested in a number of companies which have been excluded from our Group (“**Excluded Companies**”, which are engaged in various businesses, “**Excluded Business**”). Set out below are the details of the Excluded Companies:

Company name	Place of incorporation	Date of incorporation	Principal business	Our Controlling Shareholders'/Directors' respective shareholdings as at the Latest Practicable Date	Status	Reasons for exclusion from our Group
GMT	Hong Kong	15 June 2005	Trading of raw materials and commodities prior to ceasing business	Mr. Boris Chuang (30%) Ms. Chuang (20%) Mrs. Chuang (20%) Mr. Stephen Chuang (15%)	Live but ceased business in December 2014	Due to difference in principal business and had ceased business since December 2014.
GMI	Hong Kong	20 March 2012	Trading of steel products from the PRC to Australia	Mr. Boris Chuang (51%) Mrs. Chuang (34%)	Live	Due to difference in principal business.
Toprate Associates Limited (“ Toprate Associates ”)	BVI	1 July 2003	Provision of design service prior to ceasing business	MEI Nominees Limited (100%) (Note)	Live but ceased business in December 2014	Due to difference in principal business and had ceased business since December 2014.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Note: Toprate Associates is owned as to 100% by MEI Nominees Limited, which is holding its interest in Toprate Associates as a trustee for each of Mr. Boris Chuang and Ms. Chuang, each a beneficial owner of Toprate Associates as to 50%, pursuant to two declarations of trust each dated 1 December 2003 entered into between MEI Nominees Limited and each of Mr. Boris Chuang and Ms. Chuang respectively.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there had been no material non-compliance committed by the companies named above.

Our Directors confirm that the Excluded Business is not within the principal business scope of our Group; and the Excluded Companies have their own operational management staff independent of our Group for their core operations. In light of the foregoing, our Directors are of the view that there is a clear delineation between the businesses of our Group and the Excluded Companies and the Excluded Business does not compete with our Group's business. Our Directors believe that it is inappropriate to include any part of the Excluded Business into our Group, after taking into account our strategic direction and development plan.

Our Controlling Shareholders and our Directors confirm that, as at the Latest Practicable Date, apart from their respective interests in our Group, none of them and their respective close associates held any interest in or conducts any business, which competed, or was likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing. Having considered the matters as described below, the Board is of the view that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after Listing.

Operational independence

Our Group has established its own business independent of that of our Controlling Shareholders and/or their respective close associates. We make business decisions independently of our Controlling Shareholders and have sufficient capital, equipment and employees to operate our business independently. Our Group has established its own organisational structure made up of individual functions, each with specific areas of responsibilities. We have independent access to suppliers and customers. Our Group has established a set of internal controls to facilitate the effective operation of its business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

For the two years ended 31 December 2015 and the eight months ended 31 August 2016, GMI, a company owned by Mr. Boris Chuang as to 51% and Mrs. Chuang as to 34% had supplied certain fixed assets to GMEHK at a total consideration of approximately HK\$2.6 million, nil and HK\$0.2 million respectively. For the two years ended 31 December 2015 and the eight months ended 31 August 2016, GMI had also supplied certain materials to GMEHK at a consideration of approximately HK\$0.9 million, HK\$0.1 million and nil respectively.

For the year ended 31 December 2014, a waiver of an amount of HK\$77,000 due to Advance Composite Limited, which was owned by Mr. Boris Chuang as to 50% prior to the deregistration of Advance Composite Limited on 22 May 2015 was recorded as other income of GMEHK.

For the two years ended 31 December 2015 and the eight months ended 31 August 2016, GMEHK has paid to GMI loan interest expenses calculated at 5.25% per annum in the sum of approximately HK\$0.4 million, HK\$0.3 million and HK\$0.1 million respectively in relation to the loan provided to our Group by GMI for the respective years as mentioned under the paragraph headed “Financial independence” in this section of the prospectus.

For the year ended 31 December 2014, Toprate Associates, which is beneficially owned by Mr. Boris Chuang and Ms. Chuang as to 50% each, had provided design services on scaffolding and soffit support to GMEHK at a total consideration of approximately HK\$0.5 million.

As at the Latest Practicable Date, there were no ongoing business transactions between us and any of our Controlling Shareholders and/or their respective close associates.

For further details of the aforementioned transactions, please refer to the paragraph headed “Related party transactions” in the section headed “Financial information” of this prospectus. Please also see note 25 of Appendix I to this prospectus for the related party transactions of our Group.

Management independence

Our Company’s management and operational decisions are made by our Board and the senior management. Our Board comprises two executive Directors and three independent non-executive Directors. Mr. Boris Chuang and Mr. Stephen Chuang, being two of our Controlling Shareholders, are our executive Directors and directors of all of our subsidiaries as at the Latest Practicable Date. Mr. Boris Chuang is also the chairman of our Board. Although Mr. Boris Chuang and Mr. Stephen Chuang are also directors of certain Excluded Companies, the details of the Excluded Companies are set out under the paragraph headed “Excluded business of our Controlling Shareholders and Directors” in this section of the prospectus, their time involvement in the matters of the Excluded Companies will be minimal and they confirm that they would largely be involved in the day-to-day management and operation of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our 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 interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (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) and their respective close associate(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum subject to the provision of the Articles of Association;
- (c) our Group has established its own organisational structure made up of individual functions including management, technical staff, administration, accounting and finance, and workers, which are responsible for daily operations of our Group and are independent from our Controlling Shareholders; and
- (d) the three independent non-executive Directors will also bring independent judgement to the decision-making process of the Board.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs.

During the Track Record Period, there were certain amounts due to and due from our Controlling Shareholders and their respective related companies, details of which are set out in note 15 of Appendix I to this prospectus.

Amounts due from our Controlling Shareholders and their respective associates, apart from those arising from the ordinary and usual course of business, amounted to approximately HK\$3.5 million, HK\$3.5 million and nil as at 31 December 2014 and 2015 and 31 August 2016, respectively. Such amounts were due from Mrs. Chuang, Ms. Chuang, GMT and Toprate Associates. GMT is held by Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang and Mr. Stephen Chuang as to 30%, 20%, 20% and 15% respectively. Toprate Associates is beneficially owned by Mr. Boris Chuang and Ms. Chuang as to 50% each. The balances due from Mrs. Chuang and Ms. Chuang mainly represented advances to them from us in prior years. The balance due from GMT mainly represented the payment made on behalf of GMT by our Group in order to settle GMT's outstanding bank loan in prior years. The balance due from Toprate Associates mainly represented the funds provided by us to Toprate Associates for its business operation in prior years. All such balances mentioned above had been fully repaid as at the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Amounts due to our Controlling Shareholders and their respective associates, apart from those arising from the ordinary and usual course of business, amounted to HK\$8.3 million, HK\$12.8 million and nil as at 31 December 2014 and 2015 and 31 August 2016, respectively. Such amounts were due to Mr. Stephen Chuang, Mr. Boris Chuang and GMI which is a company owned by Mr. Boris Chuang and Mrs. Chuang as to 51% and 34% respectively. All such non-trade related payables had been settled as at the Latest Practicable Date.

Our Directors confirm that there were no outstanding loans or borrowing from our Controlling Shareholders and their respective associates as at the Latest Practicable Date. Our Directors confirm that our Group will not rely on our Controlling Shareholders for financing after the Listing as our Group expects that its working capital will be funded by the operating income, the net proceeds of the Placing and bank borrowings.

GMEHK has provided a corporate guarantee in favour of a bank in respect of banking facilities of up to HK\$12.0 million granted to GMI. Such guarantee provided by GMEHK on GMI's banking facilities will be fully released upon Listing. The same bank has granted a banking facility of approximately HK\$13.5 million to GMEHK, which is secured by (i) a second legal charge/mortgage over the property at Unit F2 (being duplex on G/F & maisonette floor immediately thereabove & garden thereof of Block F) and car parking space no.14, Goodview Garden, 24 Stubbs Road, Hong Kong owned by Mr. Stephen Chuang and Mr. Boris Chuang; and (ii) a guarantee and indemnity for an unlimited amount duly executed by Mr. Stephen Chuang, Mr. Boris Chuang and Mrs. Chuang. The second legal charge/mortgage and personal guarantee and indemnity mentioned above shall be released upon Listing and will be replaced by a corporate guarantee provided by our Company and a charge of deposit of GMEHK upon Listing.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has confirmed that none of them nor any of his/her close associates is engaged in, involved in or interested in any business (other than being a director or shareholder of our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, our Controlling Shareholders have given an irrevocable non-compete undertaking in favour of our Company (for itself and for the benefits of its subsidiaries) pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective close associates (other than members of our Group):

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest, on his/her own account or with each other or in conjunction with or on behalf of any person, firm, company or organisation, (in each case whether as a director or shareholder (other than being a director or a shareholder of our Group), partner, agent or otherwise and whether for profit, reward or otherwise) in any

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently carried out as referred to in this prospectus and from time to time engaged by our Group (including but not limited to the provision of civil engineering construction services) within Hong Kong (the “**Restricted Activity**”);

- (ii) not, directly or indirectly, solicit or seek to entice away from our Group any existing employee of our Group for employment by him/her or his/her close associates (excluding members of our Group);
- (iii) not, without the prior written consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her knowledge in his/her capacity as our Controlling Shareholder for any purpose of engaging, investing or participating in any Restricted Activity; and
- (iv) not invest or participate in any Restricted Activity.

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken, jointly and severally, to us that in the event that he/she or his/her close associate(s) (other than members of our Group) (the “**Offeror**”) is given or identified or offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “**New Opportunity**”), he/she will and will procure his/her close associate(s) (other than members of our Group) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of our Controlling Shareholders is required to, and shall procure his/her close associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (a) such New Opportunity would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group to pursue such 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
- (ii) the Offeror will be entitled to pursue the New Opportunity only if (a) the Offeror has received a notice from us declining the New Opportunity; or (b) the Offeror has not received such notice from us within ten Business Days from our receipt of the Offer Notice, whichever is earlier.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will form an independent board committee (the “**Independent Board Committee**”) which comprises our independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest in such New Opportunity and seek opinions and decisions from the Independent Board Committee in the manner as to whether (a) such New Opportunity would constitute competition with the Restricted Activity; and (b) it is in the interest of our Company and our shareholders as a whole to pursue the New Opportunity.

Where the Offeror has acquired any business, investment or interest in any entity relating to the Restricted Activity pursuant to (ii) above, the relevant Offeror shall provide us with pre-emptive right (the “**Pre-emptive Right**”) to acquire any such Restricted Activity. Where the Independent Board Committee decides to waive the Pre-emptive Right by way of written notice, the relevant Offeror may offer to sell such business, investment or interest in the Restricted Activity to other third parties on such terms which are no more favourable than those made available to our Group. In deciding whether to exercise the Pre-emptive Right, our Directors will consider various factors including the purchase price and their values and benefits, as well as the benefit that they will bring to our Group.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of:

- (i) the date on which our Controlling Shareholders and their close associates, individually or taken as a whole, cease to be our Controlling Shareholders for the purpose of the GEM Listing Rules; and
- (ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Deed of Non-competition is conditional on (i) the Listing Department granting the listing of, and permission to deal in, all our Shares in issue and to be issued under the Placing; and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriter) and that the Underwriting Agreement not being terminated in accordance with its terms or otherwise.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Directors recognise the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests arising from potential competing business between our Controlling Shareholders and our Group will be taken:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (ii) our Company will disclose the decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition in the annual report;
- (iii) our Controlling Shareholders will (if necessary) make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company;
- (iv) the Independent Board Committee of our Company comprising all independent non-executive Directors will be responsible for deciding and given the authority to decide: (i) in the New Opportunity; and (ii) in the exercise of the Pre-emptive Right. In addition, the Independent Board Committee may, at the costs of our Company and from time to time, engage independent financial adviser and other external professional advisers as they may consider necessary to advise them on the issues which relate to the above matters;
- (v) in the event that there is conflict of interest in the operations of our Group and our Controlling Shareholders, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his interests to the Board. Pursuant to the Articles, should a Director have any material interests in the matter (other than certain matters permitted under note 5 of Appendix 3 to the GEM Listing Rules), he shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting;
- (vi) our Directors will ensure that any material conflict or potential conflict involving our Controlling Shareholders will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is known to our Controlling Shareholders involved and a board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

(vii) our Company has appointed Altus Capital as the compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal control measures.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board of Directors consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The following table sets out certain information concerning our Directors:

Name	Age	Date of joining our Group	Position	Date of appointment	Role and responsibilities	Relationships amongst Directors and senior management
Chuang Chun Ngok Boris (莊峻岳)	41	30 May 2002	executive Director and chairman	18 January 2016	Overall management and administration of the business and daily operations of our Group	Son of Mr. Stephen Chuang
Chuang Wei Chu (莊偉駒)	69	19 September 1994	executive Director	16 February 2016	Overall development, strategic planning and major business decisions of our Group	Father of Mr. Boris Chuang
Lam Man Bun Alan (林文彬)	64	10 February 2017	independent non-executive Director	10 February 2017	Advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management	Not applicable
Lau Chun Fai Douglas (劉俊輝)	44	10 February 2017	independent non-executive Director	10 February 2017	Advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management	Not applicable
Ng Wai Ming Patrick (吳惠明)	57	10 February 2017	independent non-executive Director	10 February 2017	Advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management	Not applicable

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Date of joining our Group	Position	Date of appointment	Role and responsibilities	Relationships amongst Directors and senior management
Ho John Kwun Fung (何冠鋒)	39	1 March 2011	project engineer	21 March 2016	Overall management and supervision of the projects of our Group	Not applicable

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. CHUANG Chun Ngok Boris (莊峻岳), aged 41, was appointed as our Director on 18 January 2016 and was re-designated as our executive Director on 21 March 2016. He is also the chairman of our Board and one of our Controlling Shareholders. Mr. Boris Chuang is primarily responsible for the overall management and administration of the business and daily operations of our Group. Besides, his duties also include the overall management of our projects, oversight of the progress of various projects undertaken by us, allocation of resources and purchase and/or rental of machinery necessary for our business. He is also a director of GMEBVI and GMEHK.

Mr. Boris Chuang was appointed as a director of GMEHK in May 2002 and participated in the business of GMEHK since 2004 as the subcontractor's representative. Mr. Boris Chuang has accumulated over ten years of experience working in our Group and has gained extensive experience in construction management and contracting procedure in infrastructure, tunnel, building, roadworks and slope works.

Mr. Boris Chuang has been an associate of the Chartered Institute of Arbitrators since December 2002, a member of The Chartered Institute of Building in the United Kingdom since December 2002, and a chartered building professional in Australia since November 2002. He has also become an associate of the Hong Kong Institute of Arbitrators since December 2002 and a member of The Institution of Highways and Transportation since April 2003 respectively.

Prior to joining our Group, Mr. Boris Chuang worked at Ove Arup & Partners Hong Kong Limited, a wholly-owned subsidiary of Arup Group Limited which is principally engaged in the field of consulting engineering services, architecture and other related professional skills, from July 1999 to May 2004, as an assistant resident engineer, mainly responsible for the planning and programmes of certain Hong Kong Government projects and Kowloon-Canton Railway Corporation projects.

Mr. Boris Chuang graduated from the University of Melbourne, Australia in December 1998 with a degree of Bachelor of Planning and Design and from Monash University, Australia in September 1998 with a degree of Bachelor of General Studies. He has also completed the Postgraduate Diploma in Construction Project Management provided by the University of Greenwich in the United Kingdom in August 2005 through distance learning.

Mr. Boris Chuang was a director of Advance Composite Limited (“**Advance Composite**”) which was a company incorporated in Hong Kong and dissolved by deregistration pursuant to section 751 of the Companies Ordinance on 22 May 2015 as it ceased to carry on business. Prior to its deregistration, Advance Composite was principally engaged in glass-fibre reinforced concrete works. Mr. Boris Chuang confirmed that Advance Composite was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Boris Chuang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Boris Chuang is the son of Mr. Stephen Chuang, who is an executive Director and one of the Controlling Shareholders.

Mr. CHUANG Wei Chu (莊偉駒), aged 69, was appointed as our Director on 16 February 2016 and was re-designated as our executive Director on 21 March 2016. He is also one of the Controlling Shareholders. Mr. Stephen Chuang is primarily responsible for the overall development, strategic planning and major business decisions of our Group. He is also a director of GMEBVI and GMEHK.

Prior to establishing our Group, Mr. Stephen Chuang's working experience includes:

Name of companies	Principal business	Last position held	Period of service	Responsibilities
Hsin Chong Construction Company Limited, a wholly-owned subsidiary of Hsin Chong Construction Group Ltd., which is listed on the Stock Exchange (stock code: 00404)	Building construction and civil engineering	Site supervisor	March 1975 – April 1976	Supervising construction works at Ocean Park
Kwan On Building Contractors Limited (dissolved on 23 June 2005)	Civil engineering works	Site agent	April 1976 – December 1977	Supervising construction works at Second Lion Rock Tunnel
Lam Construction Company Limited	Building construction and civil engineering works in Hong Kong and the PRC	Executive vice president	May 1978 – May 2002	Overseeing construction projects in Hong Kong and China

Mr. Stephen Chuang founded GMEHK in September 1994. Mr. Stephen Chuang has over 40 years of experience in the civil engineering industry.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Stephen Chuang became a member of American Society of Civil Engineers in 1973 and a fellow member of American Society of Civil Engineers in 2001.

Mr. Stephen Chuang graduated from Chu Hai College (珠海書院), Hong Kong in July 1969 with the major in civil engineering.

Mr. Stephen Chuang was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution (Notes)	Reasons for dissolution
Kenmass Investment Limited	Investment	19 October 2001	Striking off under Predecessor Companies Ordinance	Inactive
Top World Engineering Limited (達聯工程有限公司)	Engineering works	19 January 2001	Deregistration under Predecessor Companies Ordinance	Inactive

Notes:

1. “Striking off under the Predecessor Companies Ordinance” refers to striking off the name of a company from the register of companies by the Registrar of Companies of Hong Kong under section 291 of the Predecessor Companies Ordinance where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.
2. “Deregistration under the Predecessor Companies Ordinance” refers to the process whereby a private company or a director or a member of a private company incorporated under the Predecessor Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has never commenced business or operation, or has ceased to carry on business or operation for more than three months immediately prior to the application; and (3) the company has no outstanding liabilities.

Mr. Stephen Chuang confirmed that the above companies were solvent at the time of their dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution. Mr. Stephen Chuang has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Stephen Chuang is the father of Mr. Boris Chuang, who is the chairman of our Board, an executive Director, and one of the Controlling Shareholders of the Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent non-executive Directors

Mr. LAM Man Bun Alan (林文彬), aged 64, was appointed as an independent non-executive Director on 10 February 2017. Mr. Lam is currently a practising solicitor in Hong Kong and the sole proprietor of Alan Lam, Yam & Pe. He has been practising law in Hong Kong for over 30 years.

Mr. Lam graduated from Leland Stanford Junior University, California, United States of America, with a degree of Bachelor of Science in June 1974.

Mr. Lam was respectively admitted to practice as a solicitor of the High Court of Hong Kong in June 1979, the Supreme Court of England and Wales in May 1983, the Supreme Court of the Australian Capital Territory in April 1989 and the Supreme Court of Republic of Singapore in May 1990. He has been an accredited general mediator of the Law Society of Hong Kong since June 2011 and an accredited general mediator of Hong Kong Mediation Accreditation Association Limited from July 2015 to June 2017. Mr. Lam has served and is also currently serving as a part-time Risk Management tutor of Risk Management Education Programme organised by Hong Kong Academy of Law.

Mr. Lam was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution (Notes)	Reasons for dissolution
Alan Lam Bloodstock Consultants Limited	Corporate	10 March 2006	Deregistration under the Predecessor Companies Ordinance	Inactive
Chinabuild.com Limited	Internet content provider	30 November 2007	Deregistration under the Predecessor Companies Ordinance	Inactive
Hong Kong Society of Civil Celebrants Limited	Legal services – civil celebrants	24 July 2015	Deregistration under the Companies Ordinance	Inactive

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution <i>(Notes)</i>	Reasons for dissolution
Kenman Enterprises Limited (光萬企業有限公司)	Corporate	10 March 2006	Deregistration under the Predecessor Companies Ordinance	Inactive
Kenseido Company Limited (妍生堂有限公司)	Corporate	18 October 2007	Deregistration under the Predecessor Companies Ordinance	Inactive
Pacific Century Economic and Cultural Development Limited (太平洋世紀經濟文化發展有限公司)	General trading	30 August 2013	Striking off under the Predecessor Companies Ordinance	Inactive
Robert McAnulty & Alan Lam Bloodstock Consultants Limited	Trading	18 May 2001	Striking off under the Predecessor Companies Ordinance	Inactive
Sun Peak Enterprise Limited (豐日企業有限公司)	Investment	10 December 2004	Deregistration under the Predecessor Companies Ordinance	Inactive
The Wine Establishment (Hong Kong) Company Limited	Trading	27 September 2002	Deregistration under the Predecessor Companies Ordinance	Inactive

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Notes:

1. “Deregistration under the Companies Ordinance” refers to the process whereby a private company or a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 751 of the Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (3) the company has no outstanding liabilities; (4) the company is not a party to any legal proceedings; (5) the company’s assets do not consist of any immovable property situate in Hong Kong; and (6) if the company is a holding company, none of its subsidiary’s assets consist of any immovable property situate in Hong Kong.
2. “Deregistration under the Predecessor Companies Ordinance” refers to the process whereby a private company or a director or a member of a private company incorporated under the Predecessor Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Predecessor Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has never commenced business or operation, or has ceased to carry on business or operation for more than three months immediately prior to the application; and (3) the company has no outstanding liabilities.
3. “Striking off under the Predecessor Companies Ordinance” refers to striking off the name of a company from the register of companies by the Registrar of Companies of Hong Kong under section 291 of the Predecessor Companies Ordinance where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.

Mr. Lam confirmed that the above companies were solvent at the time of their dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Mr. Lam was the independent non-executive director of Sincere Watch (Hong Kong) Limited (stock code: 444), a company listed on the Main Board of the Stock Exchange, which is principally engaged in the distribution of branded luxury watches, timepieces and accessories in Hong Kong, Macau, Taiwan and the PRC and dining business, from March 2009 to June 2012, where he was responsible for providing independent opinion and judgment to the company’s board of directors. Mr. Lam has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. LAU Chun Fai Douglas (劉俊輝), aged 44, was appointed as an independent non-executive Director on 10 February 2017. Mr. Lau has over 18 years of experience in auditing and accounting.

Mr. Lau graduated from the University of New South Wales in Australia with a degree of Bachelor of Commerce in Accounting and Finance in October 1993.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lau was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants (now known as CPA Australia) in August 1996, a certified public accountant of the Hong Kong Institute of Certified Public Accountants in February 1997, and subsequently became a fellow member of the Hong Kong Institute of Certified Public Accountants in September 2009. He has also been a member of the Institute of Chartered Accountants in Australia since October 1998, a member of the Institute of Chartered Accountants in England and Wales since November 2010. Mr. Lau is also the founding member of the Institute of Accountants Exchange in Hong Kong since May 2006.

Prior to joining our Group, Mr. Lau worked in Ernst & Young, an accountancy firm, as a staff accountant in 1993, and subsequently as a manager in 1998, a senior manager in 2001, an audit partner in Hong Kong in 2004 and an audit partner in Beijing from 2006 until 2009. He joined the Institute of Chartered Accountants in England and Wales, a professional membership organisation, as the regional director, Greater China, from November 2010 to September 2012.

Mr. Lau has been the independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely, Chanjet Information Technology Company Limited (stock code: 1588), which is principally engaged in enterprise software products and services for micro and small scale enterprises in the PRC, since September 2011 and Ausnutria Dairy Corporation Ltd (stock code: 1717), a dairy industry company, since January 2015, where he is responsible for providing independent opinion and judgment to the boards of directors, particularly with regard to financial aspects.

Ir NG Wai Ming Patrick (吳惠明), aged 57, was appointed as an independent non-executive Director on 10 February 2017. Ir Patrick Ng is currently the managing director of Asia Engineering (HK) Limited, which is principally engaged in providing building, civil, geotechnical and environmental engineering consultancy services, where he is responsible for overall business and project management, the director of Asia Engineering Construction Limited, which is principally engaged in buildings, demolition, foundation, ground investigation and site formation works, where he is responsible for overall business and project management. He is also the vice president, engineering of the Asia Insurance Co., Ltd., a general insurer, where he is responsible for insurance advice on engineering projects, since April 2012. Ir Patrick Ng has over 20 years of experience in building, civil, environmental and geotechnical engineering projects.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ir Patrick Ng graduated from The Victoria University of Manchester (now the University of Manchester) in the United Kingdom, with a degree of Bachelor of Science in July 1982. He also obtained a Master of Business from The University of Newcastle in Australia in September 2006.

Prior to joining our Group, Ir Patrick Ng's working experience includes:

Name of company	Principal business	Last position held	Period of service	Responsibilities
Maunsell Consultants Asia Ltd	Engineering, planning and project management services	Senior engineer	March 1991 – August 1994	Managing multi disciplinary teams, tendering evaluation and reporting and liaising with Hong Kong Government Works and Policy Branch departments
Mass Transit Railway Corporation (stock code: 0066)	Railway operator	Senior coordination engineer (civil)	August 1994 – July 1997	Coordinating and solving problems on a number of major multi-discipline works covering large stations, tunnels and viaducts
Kowloon-Canton Railway Corporation	Provision of railway services	Project engineer (executive grade)	January 1998 – January 2005	Completing construction projects, technical study and construction management
Chun Wo Holdings Limited	Construction of all categories, property development, property management, security services and bioscience	General manager – corporate development & human resources	February 2005 – February 2007	Operation of the company's departments of human resources, staff development, corporate communication, administration, company secretary and technical secretary
Atkins China Ltd	Design, engineering and project management consultancy services	Technical director	April 2007 – August 2008	Business development, technical advice and management of infrastructure and environment projects
GHD Limited	Engineering, architecture and environmental consultancy services	Office manager	September 2008 – April 2011	Acting as project director for key railway and building projects, building the company's relationships with clients

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ir Patrick Ng is currently serving on the Contractors Registration Committee Panel and Contractors Registration Committee of the Buildings Department in Hong Kong, and the Buildings Energy Efficiency Disciplinary Board Panel of the Environmental Bureau in Hong Kong. He is currently the academic adviser of the Department of Civil Engineering of Chu Hai College of Higher Education. He was a member of the Election Committee of the National People's Congress, the PRC for the year 2012.

Ir Patrick Ng is currently a Registered Professional Engineer (Building, Civil, Environmental, Geotechnical) under the Engineers Registration Board and a Registered Geotechnical Engineer under the Buildings Ordinance. He is a member and a fellow of the Hong Kong Institution of Engineers since May 1988 and February 1998 respectively, a member of the Hong Kong Institute of Construction Managers (formerly known as Hong Kong Institute of Builders) in November 2015, and is currently an Authorised Signatory on the Register of General Building Contractors and the Register of Specialist Contractors (Sub-register of Foundation Works Category, Sub-register of Demolition Works Category, Sub-register of Site Formation Works Category and Sub-register of Ground Investigation Field Works Category).

Ir Patrick Ng is one of the recipients of the first prize and third prize for the Civil Engineering Paper of the Year 2003 Awards awarded by The Hong Kong Institution of Engineers Civil Division.

Ir Patrick Ng was a director of Cheer Young Investment Limited (“**Cheer Young**”) which was a company incorporated in Hong Kong and dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 1 February 2002 as it was inactive. Prior to its deregistration, Cheer Young was principally engaged in investment. Ir Patrick Ng confirmed that Cheer Young was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Ir Patrick Ng has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Save as disclosed above, there is no other information in respect of our Directors that is disclosable pursuant to Rule 17.50(2)(a) to (v) of the GEM Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders. Save as disclosed under the paragraph headed “7. Further information about our Directors and substantial shareholders” in Appendix V to this prospectus, each of our Directors does not have any interests in the Shares within the meaning of Part XV of the SFO.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Senior management

Mr. HO John Kwun Fung (何冠鋒), aged 39, was appointed as project engineer of our Company on 21 March 2016. Mr. Ho is primarily responsible for the overall management and supervision of the projects of our Group. His duties in our Group also include overseeing the progress of various projects undertaken by our Group, making recommendations to our Directors in relation to allocation of resources and purchase and/or rental of machinery necessary for our business. Since joining GMEHK, he has acted as our subcontractor's representatives for various government projects in Hong Kong.

Mr. Ho joined GMEHK in March 2011 as a project engineer. He has five years of experience in civil and structural engineering works, focusing mainly in managing construction sites, leading construction teams in infrastructure, tunnel, building, roadworks and slope works constructions for GMEHK.

Mr. Ho graduated from The University of Melbourne in Australia in April 1998 with a degree of Bachelor of Planning and Design and in March 2000 with a degree of Bachelor of Property and Construction.

Mr. Ho has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. SZE Chun Kit (施俊傑), aged 30, was appointed as the finance director and company secretary of our Company on 21 March 2016, primarily responsible for financial management and company secretarial affairs of our Group. Mr. Sze is a member of the Hong Kong Institute of Certified Public Accountants since March 2013.

Mr. Sze graduated from Monash University, Australia in July 2009 with a degree of Bachelor of Commerce (Accounting and Finance).

Prior to joining our Group, Mr. Sze worked at BDO Limited, an accounting firm, from October 2009 to October 2010, as an associate of assurance department, mainly responsible for audit assignment of listed companies. He worked at Ernst & Young, an accounting firm, as a staff accountant from November 2010 to September 2012 and as a senior accountant from October 2012 to July 2014, mainly responsible for audit, accounting and taxation works for listed companies. From October 2014 to March 2016, Mr. Sze worked at Television Broadcasts Limited (stock code: 511), a company listed on the Main Board of the Stock Exchange, as an accountant.

COMPLIANCE OFFICER

Mr. Boris Chuang was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 21 March 2016. Please refer to the paragraph headed "Executive Directors" above in this section about Mr. Boris Chuang.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

AUTHORISED REPRESENTATIVES

Mr. Boris Chuang and Mr. Sze Chun Kit are the authorised representatives of our Company.

BOARD COMMITTEES

Audit committee

We have established a Board audit committee pursuant to a resolution of our Directors passed on 10 February 2017 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our audit committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of our Company; (iv) supervising internal control and risk management systems of our Group; and (v) monitoring continuing connected transactions (if any).

Our audit committee currently consists of all three of our independent non-executive Directors. The members of the audit committee are currently Mr. Lau Chun Fai Douglas, Ir Ng Wai Ming Patrick and Mr. Lam Man Bun Alan and the chairman is Mr. Lau Chun Fai Douglas.

Remuneration committee

We have established a Board remuneration committee pursuant to a resolution of our Directors passed on 10 February 2017 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the remuneration committee include (i) reviewing and making recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

Our remuneration committee currently consists of one executive Director, Mr. Boris Chuang, and all three independent non-executive Directors, namely Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas and Ir Ng Wai Ming Patrick. It is currently chaired by Mr. Lam Man Bun Alan, an independent non-executive Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Nomination committee

We have established a Board nomination committee pursuant to a resolution of our Directors passed on 10 February 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to (i) review the structure, size, composition and diversity of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of independent non-executive Directors; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) make recommendations to our Board regarding the candidates to fill vacancies on our Board.

Our nomination committee currently consists of one executive Director, Mr. Boris Chuang, and all three independent non-executive Directors, namely Mr. Lam Man Bun Alan, Mr. Lau Chun Fai Douglas and Ir Ng Wai Ming Patrick and is currently chaired by Ir Ng Wai Ming Patrick.

COMPLIANCE ADVISER

We have appointed Altus Capital as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) if a transaction, which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases;
- (c) if we propose to use the net proceeds of the Placing in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

Pursuant to Rule 6A.24 of the GEM Listing Rules and the compliance adviser agreement entered into between the compliance adviser and our Company, the compliance adviser will, among others:

- (a) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules and all other applicable laws, rules, codes and guidelines;
- (b) act as one of our principal channels of communication with the Stock Exchange, including accompanying our Company to any meeting with the Stock Exchange, unless otherwise requested by the Stock Exchange;

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (c) in relation to any application by our Company for a waiver from any of the requirement in Chapters 19 and 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser; and
- (d) assess the understanding of all new appointees to our Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, if any inadequacy is identified, recommend appropriate remedial steps to our Directors.

Term

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, subject to termination.

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including fees, salaries and benefits, and pension scheme contributions) paid to our Directors for the two years ended 31 December 2015 and the eight months ended 31 August 2016 were approximately HK\$1.3 million, HK\$1.5 million and HK\$1.3 million, respectively.

The aggregate remuneration (including salaries, allowances and benefits in kind, equity-settled share-based payments expense, and pension scheme contributions) paid to our Company's five highest paid individuals including the remuneration paid to our Directors mentioned above for the two years ended 31 December 2015 and the eight months ended 31 August 2016 were approximately HK\$4.5 million, HK\$3.7 million and HK\$3.5 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors, former Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or received by, our Directors, former Directors, or the five highest-paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the two years ended 31 December 2015 and the eight months ended 31 August 2016 by any of the member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus), our Directors for the year ended 31 December 2016 and the year ending 31 December 2017 to be approximately HK\$2.1 million and HK\$3.1 million, respectively.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Placing and the Capitalisation Issue, the following persons will have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name of Shareholder	Nature of interest	Shares held immediately prior to the Placing and the Capitalisation Issue		Shares held immediately after the Placing and the Capitalisation Issue	
		Number	Approximate percentage	Number	Approximate percentage
Mr. Stephen Chuang ^(Note 1)	Beneficial owner, interest held jointly with another person and interest of a spouse	1,440	80.0%	300,000,000	60.0%
Mr. Boris Chuang ^(Note 2)	Beneficial owner and interest held jointly with another person	1,440	80.0%	300,000,000	60.0%
Mrs. Chuang ^(Note 3)	Beneficial owner, interest held jointly with another person and interest of a spouse	1,440	80.0%	300,000,000	60.0%
Ms. Chuang ^(Note 4)	Beneficial owner and interest held jointly with another person	1,440	80.0%	300,000,000	60.0%
Mr. Ng	Beneficial owner	180	10.0%	37,500,000	7.5%

Notes:

- Mr. Stephen Chuang (i) personally holds 112,500,000 Shares (representing 22.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); (ii) is the spouse of Mrs. Chuang and is deemed to be interested in the Shares personally interested by Mrs. Chuang; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any Shareholders' meeting of our Company in a unanimous manner. Mr. Stephen Chuang is therefore deemed to be interested in the Shares held by Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS

2. Mr. Boris Chuang (i) personally holds 112,500,000 Shares (representing 22.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any Shareholders' meeting of our Company in a unanimous manner. Mr. Boris Chuang is therefore deemed to be interested in the Shares held by Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
3. Mrs. Chuang (i) personally holds 37,500,000 Shares (representing 7.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); (ii) is the spouse of Mr. Stephen Chuang and is deemed to be interested in the Shares which are deemed to be interested by Mr. Stephen Chuang under the SFO; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Boris Chuang, Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any Shareholders' meeting of our Company in a unanimous manner. Mrs. Chuang is therefore deemed to be interested in the Shares held by Mr. Stephen Chuang, Mr. Boris Chuang and Ms. Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
4. Ms. Chuang (i) personally holds 37,500,000 Shares (representing 7.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Boris Chuang, Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any Shareholders' meeting of our Company in a unanimous manner. Ms. Chuang is therefore deemed to be interested in the Shares held by Mr. Stephen Chuang, Mrs. Chuang and Mr. Boris Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Placing and the Capitalisation Issue, have an interest or a short position in any Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group and are therefore regarded as substantial shareholders under the GEM Listing Rules.

For persons who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meeting of our Company immediately following the completion of the Placing, please refer to the paragraph headed "7. Further information about our Directors and substantial shareholders – A. Disclosure of interests" in Appendix V to this prospectus.

We are not aware of any arrangement which may result in any change of control in our Company at a subsequent date.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Placing:

	<i>HK\$</i>
<i>Authorised share capital</i>	
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion:</i>	
1,800 Shares in issue before the Capitalisation Issue	18
374,998,200 Shares to be issued pursuant to the Capitalisation Issue	3,749,982
<u>125,000,000</u> Shares to be issued under the Placing	<u>1,250,000</u>
Total	
<u>500,000,000</u> Shares	<u>5,000,000</u>

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Placing are made. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as described below.

RANKING

The Placing Shares will be ordinary shares in the share capital of our Company and 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 date of this prospectus save for the entitlement under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 10 February 2017, conditional on the share premium account of our Company being credited as a result of the issue of Placing Shares under the Placing, our Directors are authorised to allot and issue a total of 374,998,200 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at the close of business on 10 February 2017 (or another date as our Directors may

SHARE CAPITAL

direct) by way of capitalisation of the sum of HK\$3,749,982 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to such resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of not more than the sum of:

- (a) 20% of the total number of the shares of our Company in issue immediately following completion of the Capitalisation Issue and the Placing; and
- (b) the total number of the shares of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed "1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total amount of not more than 10% of the total number of shares of our Company in issue immediately following the completion of the Capitalisation Issue and the Placing.

The mandate only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and

SHARE CAPITAL

requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out under the paragraph headed “4. Share repurchase mandate” in Appendix V to this prospectus.

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

- (a) the conclusion of our Company’s next annual general meeting; or
- (b) the expiration of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed “1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017” in Appendix V to this prospectus.

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 Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolutions of Shareholders (i) increase its capital; (ii) consolidate or divide all or any of its share capital into Shares of larger or smaller amount than its existing Shares; (iii) divide its unissued Shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (iv) sub-divide its Shares into Shares of smaller amount; (v) cancel any Shares which have not been taken; (vi) make provision for the allotment and issue of Shares which do not carry any voting rights; (vii) change the currency of denomination of its share capital; and (viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce or redeem its share capital by a special resolution of Shareholders. For more details, please refer to the paragraph headed “2. Articles of Association – (c) Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the Cayman Islands 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 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 more details, please refer to the paragraph headed “2. Articles of Association – (d) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

Prospective investors should read the following discussion and analysis in conjunction with the combined audited financial statements, including the notes thereto, as set out in the accountant's report in Appendix I to this prospectus. The combined audited financial statements of our Group have been prepared in accordance with HKFRSs. Prospective investors should read the whole of the accountant's report set out in Appendix I to this prospectus and do not rely merely on the information provided in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed "Risk factors" of this prospectus.

OVERVIEW

Our Group is an established subcontractor engaged in civil engineering works operating solely in Hong Kong. Our Group is principally engaged in the provision of underground construction services and serving mainly private main contractors in public infrastructure projects. Our Group has also been involved in some private sector projects. Public sector projects refer to projects in which the main contractors are employed by the Government, its statutory bodies or statutory corporations, while private sector projects cover all other types of engagements.

Our Group provides underground construction services, with a primary focus on two service lines: (i) tunnel construction (including excavation, shotcreting, shutter design and fabrication, tunnel lining services and advanced works); and (ii) utility construction and others (layout and refurbishment of gas pipes and structural works).

The following discussion and analysis are based on the financial results of our Group during the Track Record Period as presented in the accountant's report contained in Appendix I to this prospectus.

FINANCIAL INFORMATION

BASIS OF PREPARATION

The financial information of our Group has been prepared by our Directors based on the accounting policies which conform with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The basis of presentation is set out in note 2 in Section II of the accountant's report contained in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES

The preparation of financial information in conformity with the HKFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following paragraphs discuss certain significant accounting policies applied in preparing our Group's financial information.

Revenue recognition

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the surveys of work performed in accordance with Hong Kong Accounting Standard 11 "Construction Contracts" issued by the HKICPA and the work performed is assessed regularly (usually on a monthly basis). Our customers normally issue interim payment certificates (as a confirmation to the surveys of our work performed) within approximately 30-60 days subsequent to our work performed. Our Directors are of the view that (i) our Group's revenue recognition by reference to our records of work performed; and (ii) the issuance of interim payment certificates by our customers for our work performed, is a common practice among our industry. During the Track Record Period, there was no material difference between our records of work performed and the interim payment certificates issued by customers.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the financial periods. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms but not exceeding 5 years
Furniture and fixtures	20% per annum
Office equipments	20% per annum
Plant and machinery	30% per annum
Motor vehicles	30% per annum

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the financial periods.

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When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an 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 progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Our Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which our employees render the related service. Short term employee benefits are recognised in the year when our employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by our employees.

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(iii) Termination benefits

Termination benefits are recognised on the earlier of when our Group can no longer withdraw the offer of those benefits and when our Group recognises restructuring costs involving the payment of termination benefits.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are most significantly affected by the following factors:

(i) Pricing of our contracts

During the Track Record Period, our Group generally entered into construction contracts through the tendering process. We determine the tender price by taking into account factors such as the scope, the scale and the complexity of the project, the expected number of staff and amount of time required for completion of the project, the extent of subcontractor works required and the prevailing market condition. The determination of our tender price is critical due to the fact that once we are awarded a contract, we are committed to provide the scope of services specified thereunder. In any unforeseen circumstances which have led to additional cost, our Group will have to bear such cost.

(ii) Market demand for construction activities, in particular underground construction services

Our results of operations are mainly affected by the number and availability of public construction and civil engineering projects in Hong Kong, in particular, those involving underground construction services such as underground tunnel projects. These are affected by various factors, including but not limited to, the general economic conditions in Hong Kong and changes in government policies in relation to the amount to be invested in the construction of new infrastructures and improvement of existing infrastructures. Government spending on infrastructures and the number of public sector projects may in turn be affected by factors such as government budgets and town planning.

(iii) Collectability and timing of collection of our retention receivables

Our Group normally receives progress payments from our customers on a monthly basis with reference to the work performed, and a portion of such payments, ranging from 5% to 10%, are usually withheld by our customers as retention money. 50% of the retention money withheld is normally released to us after our completion of a project and the remaining retention money is normally released to us six months to one year after the completion of our project or our customer's project (which we play a part in) depending on the terms of the contract between our Group and our customer. Accordingly, there can be no assurance that the retention money or any future retention money will be released by our customers to us on a timely basis. Any late payment, whether arising from payment practice of our customers or delay in completion of the construction project, may adversely affect our future liquidity position.

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RESULTS OF OPERATION OF OUR GROUP

The following table sets out our combined statements of comprehensive income for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 as derived from the accountant's report in Appendix I to this prospectus.

Combined statements of comprehensive income

	Year ended 31 December		Eight months ended 31 August	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Unaudited)</i>	
Revenue	94,193	80,560	51,172	84,794
Cost of services	<u>(78,476)</u>	<u>(54,162)</u>	<u>(37,369)</u>	<u>(63,670)</u>
Gross profit	15,717	26,398	13,803	21,124
Other income	608	794	376	439
Administrative expenses	(6,190)	(8,443)	(5,187)	(13,923)
Equity-settled share-based payment expense	(1,201)	–	–	–
Finance costs	<u>(385)</u>	<u>(343)</u>	<u>(123)</u>	<u>(341)</u>
Profit before income tax expense	8,549	18,406	8,869	7,299
Income tax expense	<u>(1,612)</u>	<u>(3,040)</u>	<u>(1,486)</u>	<u>(2,256)</u>
Profit for the year/period	6,937	15,366	7,383	5,043
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operation	(2)	(6)	1	–
Release of foreign exchange reserve on disposal of a subsidiary	<u>–</u>	<u>(190)</u>	<u>–</u>	<u>–</u>
Other comprehensive income, net of tax	<u><u>(2)</u></u>	<u><u>(196)</u></u>	<u><u>1</u></u>	<u><u>–</u></u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company	<u><u>6,935</u></u>	<u><u>15,170</u></u>	<u><u>7,384</u></u>	<u><u>5,043</u></u>

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Revenue

Our revenue is generated from the provision of civil engineering construction services in Hong Kong. The following table sets out the breakdown of revenue by project types:

	Year ended 31 December				Eight months ended 31 August			
	2014		2015		2015		2016	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Private sector projects	3,274	3.5	3,784	4.7	3,350	6.6	4,268	5.0
Public sector projects								
– Tunnel construction services	50,249	53.3	64,305	79.8	38,506	75.2	77,307	91.2
– Utility construction services and others	<u>40,670</u>	<u>43.2</u>	<u>12,471</u>	<u>15.5</u>	<u>9,316</u>	<u>18.2</u>	<u>3,219</u>	<u>3.8</u>
Total	<u>94,193</u>	<u>100.0</u>	<u>80,560</u>	<u>100.0</u>	<u>51,172</u>	<u>100.0</u>	<u>84,794</u>	<u>100.0</u>

Our revenue is primarily generated from public sector projects for our provision of (i) tunnel construction services; and (ii) utility construction services and others. Revenue generated from private sector projects represented our provision of services in relation to slope works, structural works and refurbishment works. As shown in the table above, revenue generated from public sector projects ranged from approximately 93.4% to 96.5% of our Group's total revenue during the Track Record Period, whilst revenue generated from private sector projects ranged from approximately 3.5% to 6.6% of our Group's total revenue during the Track Record Period.

Year ended 31 December 2014 compared to the year ended 31 December 2015

Total revenue of our Group decreased from approximately HK\$94.2 million for the year ended 31 December 2014 to approximately HK\$80.6 million for the year ended 31 December 2015, representing a decrease of approximately 14.5% over the preceding year. Such decrease was mainly due to the decrease in revenue generated from our public sector projects – utility construction services and others during the year ended 31 December 2015, in which approximately HK\$32.5 million and HK\$11.7 million was generated from the Loss Making Project for the year ended 31 December 2014 and 2015 respectively. The loss was mainly attributable to the main contractor's delay in project timetable and a substantial increase in labour costs over the Track Record Period. Our Directors observed that the change in the project timetable was due to the delay of the preceding works performed by other subcontractors. Since these works had to be completed before we commence our work, we had to postpone the engagement of our workers. The expected total loss incurred in relation to the Loss Making Project was approximately HK\$7.0 million up to the year ended 31 December 2015. Revenue

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recognised for the Loss Making Project decreased substantially for the year ended 31 December 2015 as majority of works for the project had been carried out in 2014. The decrease in total revenue was partly offset by the increase in the revenue generated from tunnel construction services for the year ended 31 December 2015 as there was an increase in the number of public tunnel construction projects from six projects for the year ended 31 December 2014 to nine projects for the year ended 31 December 2015.

Eight months ended 31 August 2015 compared to the eight months ended 31 August 2016

Our Group's revenue increased from approximately HK\$51.2 million for the eight months ended 31 August 2015 to approximately HK\$84.8 million for the corresponding period in 2016, representing an increase of approximately 65.7%. Such increase was mainly due to an increase in revenue generated from our public sector projects – tunnel construction services during the eight months ended 31 August 2016. During the eight months ended 31 August 2016, customers of two projects which commenced prior to 1 January 2016 requested for more work to be performed by us which was outside the scope of the original contract. Our Group recognised revenue amounted to approximately HK\$28.8 million for such works during the eight months ended 31 August 2016, whilst only approximately HK\$4.9 million of revenue was recognised for such works for the eight months ended 31 August 2015.

Cost of services

Our cost of services amounted to approximately HK\$78.5 million, HK\$54.2 million, HK\$37.4 million and HK\$63.7 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 respectively. The table below sets forth a breakdown of our cost of services by nature during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2014		2015		2015		2016	
	HK\$'000	% of total cost of services	HK\$'000	% of total cost of services	HK\$'000	% of total cost of services	HK\$'000	% of total cost of services
Construction materials								
and supplies	27,592	35.2	12,821	23.7	9,660	25.9	11,023	17.3
Rental of plant and machinery	5,840	7.4	5,602	10.3	3,119	8.3	6,334	9.9
Staff costs	38,867	49.5	33,144	61.2	22,709	60.8	41,634	65.4
Subcontracting charges	489	0.6	2,439	4.5	2,218	5.9	1,311	2.1
Depreciation charges	1,238	1.6	1,201	2.2	820	2.2	1,202	1.9
Expected loss recognised	1,000	1.3	-	-	-	-	-	-
Reversal of expected loss								
recognised in prior year(s)	(2,493)	(3.2)	(4,547)	(8.4)	(3,613)	(9.7)	(169)	(0.3)
Other expenses	5,943	7.6	3,502	6.5	2,456	6.6	2,335	3.7
	<u>78,476</u>	<u>100.0</u>	<u>54,162</u>	<u>100.0</u>	<u>37,369</u>	<u>100.0</u>	<u>63,670</u>	<u>100.0</u>
Total	<u>78,476</u>	<u>100.0</u>	<u>54,162</u>	<u>100.0</u>	<u>37,369</u>	<u>100.0</u>	<u>63,670</u>	<u>100.0</u>

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Construction materials and supplies

Costs of construction materials and supplies are direct costs incurred for the purchase of materials such as concrete, steel reinforcement bars, timber and diesel fuel. For the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, costs of construction materials and supplies amounted to approximately HK\$27.6 million, HK\$12.8 million, HK\$9.7 million and HK\$11.0 million, representing approximately 35.2%, 23.7%, 25.9% and 17.3% of our total cost of services respectively.

The fluctuation in amount over the preceding year/period was mainly due to the changes in the need to purchase construction materials such as concrete and steel reinforcement bars by our Group. For the Loss Making Project, as majority of works which involved such construction materials had been carried out in 2014, our cost of construction materials and supplies decreased significantly in the year ended 31 December 2015 as compared to the year ended 31 December 2014. Furthermore, the Loss Making Project was substantially completed as at 31 December 2015 and was fully completed during the eight months ended 31 August 2016. The costs of construction materials and supplies increased from approximately HK\$9.7 million for the eight months ended 31 August 2015 to approximately HK\$11.0 million for the eight months ended 31 August 2016 due to the fact that we commenced work for a tunnel construction project in December 2015, which involved contra-charge arrangement. In general, our purchase of construction materials and supplies depends on the terms of our contracts, which may vary project-by-project.

Rental of plant and machinery

Rental of plant and machinery represented the rental expenses of site equipment for carrying out our provision of civil engineering works. For the two years ended 31 December 2015, rental expenses of site equipment amounted to approximately HK\$5.8 million and HK\$5.6 million, representing approximately 7.4% and 10.3% of our total cost of services respectively. The amounts were comparable over the preceding year, without significant change.

For the eight months ended 31 August 2015 and 2016, rental of plant and machinery amounted to approximately HK\$3.1 million and HK\$6.3 million, representing approximately 8.3% and 9.9% of our total cost of services respectively. The increase over the preceding period is in line with the increase in our revenue. In general, our need of plant and machinery rental varies according to the nature of each project.

Staff costs

Staff costs mainly represented salaries and benefits provided to our staff who are directly involved in carrying out our site works. For the two years ended 31 December 2015, staff costs amounted to approximately HK\$38.9 million and HK\$33.1 million, representing approximately 49.5% and 61.2% of our total cost of services respectively. The decrease in amount was mainly attributable to our participation in the Loss Making Project during 2014 which required the use of higher-pay-bracket workers due to the nature of work performed.

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For the eight months ended 31 August 2015 and 2016, staff costs were our major costs of services and amounted to approximately HK\$22.7 million and HK\$41.6 million, representing approximately 60.8% and 65.4% of our total cost of services respectively. The increase was in line with the increase in our revenue.

Subcontracting charges

Subcontracting charges represented fees paid to external subcontractors for their specialist services, such as fire services and electrical and mechanical works. Our Group engages subcontractors when our workers do not possess the expertise or required licences to undertake those portion of work. For the two years ended 31 December 2015, subcontracting charges amounted to approximately HK\$0.5 million and HK\$2.4 million, representing approximately 0.6% and 4.5% of our total cost of services respectively. The increase in amount was mainly attributable to the increase in the need for subcontractors to perform work for our turnkey projects in which specialist services were required to carry out as part of our tunnel construction works during the year ended 31 December 2015.

Subcontracting charges amounted to approximately HK\$2.2 million and HK\$1.3 million, representing approximately 5.9%, and 2.1% of our total cost of services for the eight months ended 31 August 2015 and 2016 respectively. As aforementioned, the relatively higher cost in the eight months ended 31 August 2015 was due to our participation in turnkey projects.

Depreciation charges

Amount represented depreciation charges for plant and machinery utilised in our construction projects. For the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, depreciation charges amounted to approximately HK\$1.2 million, HK\$1.2 million, HK\$0.8 million and HK\$1.2 million, representing approximately 1.6%, 2.2%, 2.2% and 1.9% of our total cost of services respectively. The amounts were comparable over the preceding year/period, without significant change.

Expected loss recognised

Expected loss recognised represented our estimation of loss that the Loss Making Project would incur upon completion. The loss was mainly attributable to the main contractor's delayed project timetable and an unexpected substantial increase in labour costs over the Track Record Period. Such project commenced in 2013 and was fully completed during the eight months ended 31 August 2016. Pursuant to the construction contract of the Loss Making Project, the actual date of commencement of work would be amended subject to the progress of the construction site. Our Group is explicitly required in the contract to bear the risk of the cost fluctuations and to fulfil our obligation under the contract without requesting for additional payment despite there being delay in the work commencement date ("**No-Claim Requirement**").

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Prior to our engagement in the Loss Making Project, we had worked on another profitable project which also contained the No-Claim Requirement clause (with a project sum of approximately HK\$27.2 million) awarded by the main contractor of the Loss Making Project. Apart from an anticipated profit when we entered into the contract of the Loss Making Project, we intended to build a stronger business relationship with this main contractor in order to receive more tender invitations from it in the future as this customer is one of the top four main contractors in Hong Kong in 2014. Therefore, considering the aforementioned factors, we entered into the Loss Making Project in 2013.

During the Track Record Period, we participated in four contracts which contained the No-Claim Requirement and such contracts were awarded by the same main contractor. However, not all of our other contracts awarded by other main contractors contain such requirement and hence, our Directors are of the view that such requirement is not the norm in our industry.

All of the aforementioned four contracts had been completed as at the Latest Practicable Date. As such, we do not anticipate any unexpected costs to be incurred for the aforementioned projects. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have not entered into any contracts with No-Claim Requirements.

Prior to the Track Record Period, approximately HK\$6.0 million had been recognised as expected loss for the Loss Making Project. During the year ended 31 December 2014, further expected loss of approximately HK\$1.0 million was recognised. During the year ended 31 December 2015 and the eight months ended 31 August 2016, no further expected loss was recognised as the Loss Making Project was substantially completed as at 31 December 2015 and our Directors were of the view that anticipated losses had been fully recognised. During the eight months ended 31 August 2016, the Loss Making Project was fully completed and no further loss was recognised.

According to the HKAS 11 Construction Contracts, when it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately. During the year ended 31 December 2013, our Directors noted that there would be a substantial increase in the labour costs over the project period based on market rates of workers involved in the Loss Making Project, which in turn led to an expected loss for the Loss Making Project. As a result, our Directors recognised an expected loss of approximately HK\$6.0 million (calculated by comparing the total expected revenue less the revised total expected cost for the Loss Making Project) for the year ended 31 December 2013. An assessment over the Loss Making Project was carried out during the year ended 31 December 2014 and a further expected loss of approximately HK\$1.0 million was anticipated due to the further increase in labour cost. Accordingly, expected loss of approximately HK\$1.0 million was recognised during the year ended 31 December 2014 in accordance with the HKAS 11 Construction Contracts.

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Our Directors are of the view, and the reporting accountant of the Company concurs, that the previous expected loss is tax deductible and the reversal of such expected loss (which resulted from its realisation into actual loss) will be subject to potential tax liability, which has been taken into account and provided in the respective year during the Track Record Period.

Reversal of expected loss recognised in prior year(s)

Reversal of expected loss recognised in prior year(s) represented reversal of recognised loss during the year in relation to the Loss Making Project, which commenced in 2013, as mentioned under the paragraph headed “Expected loss recognised” in this section of the prospectus. Reversals were recorded as the amount of expected loss for this project had been recorded in prior year(s). Such reversal amounted to approximately HK\$2.5 million and HK\$4.5 million for the two years ended 31 December 2015 respectively.

Subsequent to the recognition of an expected loss amounting to approximately HK\$6.0 million in 2013 and a further expected loss amounting to approximately HK\$1.0 million in 2014, our Group incurred an actual loss of approximately HK\$2.5 million for the year ended 31 December 2014 and approximately HK\$4.5 million for the year ended 31 December 2015 for the Loss Making Project. During the eight months ended 31 August 2015 and 2016, our Group incurred actual loss of approximately HK\$3.6 million and HK\$0.2 million respectively. Due to the fact that the expected loss of approximately HK\$7.0 million had been fully recognised in 2013 and 2014, the actual loss incurred of approximately HK\$2.5 million, HK\$4.5 million, HK\$3.6 million and HK\$0.2 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 (equivalent to a total of approximately HK\$7.0 million) was reversed accordingly.

Other expenses

Other expenses represented miscellaneous direct cost for carrying out our civil engineering works. The expenses mainly included freight charges, warranty and testing expenses, motor vehicle expenses, plan and drafting expenses and other miscellaneous expenses. For the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, other expenses amounted to approximately HK\$5.9 million, HK\$3.5 million, HK\$2.5 million and HK\$2.3 million, representing approximately 7.6%, 6.5%, 6.6% and 3.7% of our total cost of services respectively.

Gross profit and gross profit margin

Our Group’s overall gross profit amounted to approximately HK\$15.7 million and HK\$26.4 million for the two years ended 31 December 2015, representing gross profit margin of approximately 16.7% and 32.8% respectively. We were able to achieve a higher gross profit margin over the year mainly due to our participation in more public tunnel construction projects which had higher gross profit margins in general as compared to our other projects.

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For the eight months ended 31 August 2015 and 2016, our gross profit amounted to approximately HK\$13.8 million and HK\$21.1 million, representing gross profit margin of approximately 27.0% and 24.9% respectively. Our gross profit margin was comparable, with no significant change.

In general, our gross profit margin during the first quarter of each year is affected by the Chinese New Year public holiday. During this holiday, if our Group has projects in progress, we will incur fixed costs such as rental of plant and machinery and staff costs whilst no work will be executed.

The following table sets out our Group's gross profit and gross profit margin of private sector projects and public sector projects:

	Year ended 31 December				Eight months ended 31 August			
	2014		2015		2015		2016	
	Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	HK\$'000	(approximately)	HK\$'000	(approximately)	HK\$'000	(approximately)	HK\$'000	(approximately)
Private sector projects	2,001	61.1	1,387	36.7	1,114	33.3	1,403	32.9
Public sector projects								
- Tunnel construction services	12,350	24.6	24,747	38.5	12,683	32.9	18,776	24.3
- Utility construction services and others	1,366	3.4	264	2.1	6	0.1	945	29.3
Total	15,717	16.7	26,398	32.8	13,803	27.0	21,124	24.9

Year ended 31 December 2014 compared to the year ended 31 December 2015

A higher gross profit margin of approximately 32.8% was recorded for the year ended 31 December 2015 as compared to that of approximately 16.7% for the year ended 31 December 2014. The relatively higher gross profit margin was mainly due to the fact that our Group participated in more public tunnel construction projects which had higher gross profit margins in general. In particular, our Group was awarded two public tunnel construction projects, with recognised revenue of approximately HK\$13.1 million during the year ended 31 December 2015, which had an average gross profit margin of approximately 58.2%. As can be seen above, the gross profit margin of utility construction services and others projects were substantially lower than tunnel construction services projects mainly due to our participation in the Loss Making Project during the Track Record Period. Meanwhile, the increase in the gross profit and gross profit margin over the preceding year was also partly attributable to the implementation of cost control systems during the year ended 31 December 2015 as well as the increase in the reversal of the expected loss of the Loss Making Project of approximately HK\$2.1 million for the year ended 31 December 2015.

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During the Track Record Period, the gross profit margin generated from our private sector projects was approximately 61.1% for the year ended 31 December 2014 and approximately 36.7% for the year ended 31 December 2015. Such decrease was mainly attributable to our participation in private refurbishment works projects which had high gross profit margins during the year ended 31 December 2014. Our Directors are of the view that our Group's main focus is on public tunnel construction services projects which contributed approximately 78.6% and 93.7% of our Group's gross profit for the two years ended 31 December 2015 respectively.

Eight months ended 31 August 2015 compared to the eight months ended 31 August 2016

Our Group's gross profit margin of approximately 27.0% and 24.9% for the eight months ended 31 August 2015 and 2016 respectively was comparable due to the combined effects of (i) a decrease in the gross profit margin of our public sector projects – tunnel construction services; and (ii) an increase in the gross profit margin of our public sector projects – utilities construction services and others.

Our gross profit margin for public sector projects – tunnel construction services decreased from approximately 32.9% to 24.3% as we recognised a relatively lower gross profit margin of approximately 13.4% from an underground sewage system project. This project was part of a construction of a tunnel which was not handled by our Group and contributed approximately HK\$21.4 million to our revenue during the eight months ended 31 August 2016.

As mentioned above, we participated in the Loss Making Project during the Track Record Period. During the eight months ended 31 August 2015, we recognised revenue amounted approximately HK\$9.3 million from this project which generated nil gross profit margin. During the eight months ended 31 August 2016, we only recognised revenue of approximately HK\$0.9 million from this project as it was substantially completed as at 31 December 2015. Therefore, our gross profit margin for utility construction services and others projects increased from approximately 0.1% to 29.3% accordingly.

For illustration purpose, a sensitivity analysis on fluctuations of the major costs of our business during the Track Record Period including (i) staff costs; and (ii) costs of construction materials and supplies, is set out as follows. It shows the effects on our cost of services for the year ended 31 December 2015 and the eight months ended 31 August 2016 assuming a 10% increase and decrease, being the approximate maximum fluctuation of our staff costs and costs of construction materials and supplies during the Track Record Period (holding other parameters constant).

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For the year ended 31 December 2015

	% change in cost	Increase or decrease in cost of services HK\$'000	Decrease or increase in gross profit margin %
Staff costs	+/- 10	+/- 3,314	+/- 12.6
Costs of construction materials and supplies	+/- 10	+/- 1,282	+/- 4.9

For the eight months ended 31 August 2016

	% change in cost	Increase or decrease in cost of services HK\$'000	Decrease or increase in gross profit margin %
Staff costs	+/- 10	+/- 4,163	+/- 4.9
Costs of construction materials and supplies	+/- 10	+/- 1,102	+/- 1.3

Other income

During the Track Record Period, our Group's other income mainly consisted of the income received from the rental of our machinery, income received from the sales of scrap materials and gain on disposal of GME Shanghai. For more details about the disposal of GME Shanghai, please refer to the paragraph headed "Disposal of GME Shanghai" in the section headed "History and Reorganisation" of this prospectus. For the two years ended 31 December 2015, other income amounted to approximately HK\$0.6 million and HK\$0.8 million respectively. The increase in amount was mainly attributable to the increase in the rental of our machinery to our customers per their requests during the year ended 31 December 2015.

For the eight months ended 31 August 2015 and 2016, other income amounted to approximately HK\$0.4 million and HK\$0.4 million respectively. Such income was mainly derived from the rental of our machinery.

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Administrative expenses

The table below sets out a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December				Eight months ended 31 August			
	2014		2015		2015		2016	
	HKS'000	% of total administrative expenses	HKS'000	% of total administrative expenses	HKS'000	% of total administrative expenses	HKS'000	% of total administrative expenses
Staff costs and benefits	2,143	34.6	2,733	32.4	1,774	34.2	3,201	23.0
Directors' remuneration	1,317	21.3	1,478	17.5	812	15.7	1,292	9.3
Entertainment expenses	422	6.8	585	6.9	400	7.7	1,049	7.5
Motor vehicle expenses	412	6.7	577	6.8	380	7.3	385	2.8
Rent and rates	369	6.0	388	4.6	250	4.8	272	2.0
Professional fees	301	4.9	783	9.3	386	7.4	758	5.4
Loss on disposal of plant and machinery	261	4.2	277	3.3	287	5.5	48	0.3
Depreciation	215	3.5	213	2.5	147	2.8	111	0.8
Impairment of trade receivables	156	2.5	-	-	-	-	-	-
Office expenses	136	2.2	134	1.6	86	1.7	151	1.1
Listing expenses	-	-	660	7.8	135	2.6	6,347	45.6
Others	458	7.3	615	7.3	530	10.3	309	2.2
Total	6,190	100.0	8,443	100.0	5,187	100.0	13,923	100.0

Our Group's administrative expenses mainly comprised (i) staff costs and benefits; (ii) Directors' remuneration; (iii) entertainment expenses; (iv) motor vehicles expenses; (v) rent and rates; (vi) professional fees; and (vii) listing expenses. As shown in the table above, our Group's administrative expenses amounted to approximately HK\$6.2 million, HK\$8.4 million, HK\$5.2 million and HK\$13.9 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 respectively.

The total administrative expenses increased from approximately HK\$6.2 million for the year ended 31 December 2014 to approximately HK\$8.4 million for the year ended 31 December 2015, representing an increase of approximately 36.4%. The increase was mainly attributable to (i) the listing expenses of approximately HK\$0.7 million incurred during the year ended 31 December 2015; (ii) an increase in professional fees of approximately HK\$0.5 million; and (iii) an increase in staff costs and benefits and Directors' remuneration of approximately HK\$0.6 million and HK\$0.2 million respectively.

Total administrative expenses increased from approximately HK\$5.2 million for the eight months ended 31 August 2015 to HK\$13.9 million for the eight months ended 31 August 2016. Such significant increase was mainly due to the listing expenses of approximately HK\$6.3 million incurred during the eight months ended 31 August 2016.

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Staff costs and benefits

Staff costs and benefits were one of the main administrative expenses. For the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, staff costs and benefits amounted to approximately HK\$2.1 million, HK\$2.7 million, HK\$1.8 million and HK\$3.2 million respectively. The increase in staff costs and benefits over the preceding year/period was mainly attributable to (i) salary increment; (ii) the increase in bonus payment which is in line with the increase in our profit; and (iii) the increase in our headcount.

Directors' remuneration

For the two years ended 31 December 2015, Directors' remuneration amounted to approximately HK\$1.3 million and HK\$1.5 million respectively. The increase in Directors' remuneration from 2014 to 2015 was mainly due to higher bonus payments to our executive Directors in line with the increase in our profit for the year from approximately HK\$6.9 million for the year ended 31 December 2014 to approximately HK\$15.4 million for the year ended 31 December 2015.

For the eight months ended 31 August 2015 and 2016, Directors' remuneration amounted to approximately HK\$0.8 million and HK\$1.3 million respectively. The increase was also due to our increase in profit for the period from approximately HK\$7.5 million (excluding listing expenses of approximately HK\$0.1 million for the eight months ended 31 August 2015) for the eight months ended 31 August 2015 to HK\$11.4 million (excluding listing expenses of approximately HK\$6.3 million) for the eight months ended 31 August 2016.

Entertainment expenses

Entertainment expenses were mainly incurred for maintaining customer relationships. For the two years ended 31 December 2015, entertainment expenses amounted to approximately HK\$0.4 million and HK\$0.6 million respectively. The increase in amount was in line with the increase in our number of projects participated during the Track Record Period, from 11 projects in 2014 to 15 projects in 2015.

For the eight months ended 31 August 2015 and 2016, entertainment expenses amounted to approximately HK\$0.4 million and HK\$1.0 million respectively. Such increase was also in line with the increase in our revenue from approximately HK\$51.2 million for the eight months ended 31 August 2015 to approximately HK\$84.8 million for the eight months ended 31 August 2016.

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Motor vehicle expenses

Motor vehicle expenses represented the costs in relation to the use of our motor vehicles. Our Group's motor vehicle expenses amounted to approximately HK\$0.4 million and HK\$0.6 million respectively for the two years ended 31 December 2015. The increase was mainly due to the increase in our number of projects participated during the Track Record Period from 11 projects in 2014 to 15 projects in 2015. Motor vehicle expenses of approximately HK\$0.4 million and HK\$0.4 million for the eight months ended 31 August 2015 and 2016 respectively were comparable, without significant change.

Rent and rates

Rent and rates represented the rental expenses of our office premises. For the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, our Group's rent and rates amounted to approximately HK\$0.4 million, HK\$0.4 million, HK\$0.3 million and HK\$0.3 million respectively. The amounts were comparable over the preceding year/period, without significant change.

Professional fees

Professional fees mainly represented auditors' remuneration, legal services fees and management advisory services fees. For the two years ended 31 December 2015, the professional fees amounted to approximately HK\$0.3 million and HK\$0.8 million respectively. The increase over the preceding year was mainly due to the fact that more management advisory services in relation to corporate strategic planning were obtained during the year ended 31 December 2015. For the eight months ended 31 August 2015 and 2016, our professional fees increased from approximately HK\$0.4 million to HK\$0.8 million mainly due to the increase in our auditor's remuneration.

Impairment of trade receivables

During the year ended 31 December 2014, our Group recorded a provision for impairment loss of trade receivables amounted to approximately HK\$0.2 million. Our Group made such provision for our trade receivables due to our Directors' view that the respective amount was uncollectable. No such amount was noted for the year ended 31 December 2015 and the eight months ended 31 August 2016.

Listing expenses

Listing expenses of approximately HK\$0.7 million and HK\$6.3 million were recorded for the year ended 31 December 2015 and the eight months ended 31 August 2016 respectively, whereas no such expense was recorded for the year ended 31 December 2014 and only approximately HK\$0.1 million of listing expenses was recognised for the eight months ended 31 August 2015.

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Others

Other expenses mainly represented miscellaneous costs such as travelling expenses and insurance expenses. For the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016, other expenses amounted to approximately HK\$0.5 million, HK\$0.6 million, HK\$0.5 million and HK\$0.3 million respectively.

Equity-settled share-based payment expense

Our Group transferred 90,000 GMEHK Shares, representing 5% of the entire equity interest of GMEHK, as a reward to Mr. Ho to recognise his services in GMEHK during the year ended 31 December 2014. The fair value of the awarded shares was based on the market value of GMEHK Shares at grant date and equity-settled share-based payment expense of approximately HK\$1.2 million was recognised for the year ended 31 December 2014. For more details of the one-off share-based payment, please refer to the paragraph headed “Our Group prior to the Reorganisation” in the section headed “History and Reorganisation” of this prospectus.

Finance costs

Our Group’s finance costs comprise interest expenses on loans borrowed from GMI. For the two years ended 31 December 2015, our finance costs amounted to approximately HK\$0.4 million and HK\$0.3 million respectively. During the two years ended 31 December 2015, the interest rates of our borrowing from GMI were 5.25% and 5.25% per annum respectively. Our Group’s borrowing from GMI was approximately HK\$5.9 million as at 31 December 2014 and approximately HK\$10.9 million as at 31 December 2015.

During the eight months ended 31 August 2016, our Group obtained an overdraft facility of approximately HK\$11.0 million from a bank and no longer borrows from GMI for our working capital requirements. Such overdraft facility is charged at the bank’s prime rate, which was 5.25% per annum during the eight months ended 31 August 2016. Our finance costs amounted to approximately HK\$0.1 million and HK\$0.3 million for the eight months ended 31 August 2015 and 2016 respectively. The increase was in line with our business operations as reflected by the increase in our revenue from approximately HK\$51.2 million for the eight months ended 31 August 2015 to approximately HK\$84.8 million for the eight months ended 31 August 2016.

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Income tax expense

During the Track Record Period, our Group generated income only in Hong Kong and was subject only to Hong Kong profits tax. Such tax expense had been provided at the rate of 16.5% on our Group's assessable profit. Our Group recognised income tax expense of approximately HK\$1.6 million, HK\$3.0 million, HK\$1.5 million and HK\$2.3 million for the two years ended 31 December 2015 and the eight months ended 31 August 2015 and 2016 respectively, which was in line with the change in our Group's assessable profit.

Net profit and net profit margin

The profit after tax of our Group was approximately HK\$6.9 million and HK\$15.2 million, representing net profit margin of approximately 7.4% and 18.8% for the two years ended 31 December 2015 respectively.

The increase in net profit and net profit margin from 2014 to 2015 was mainly due to the increase in our gross profit and gross profit margin for the year ended 31 December 2015. Such increase was mainly due to the fact that our Group participated in more public tunnel construction projects which had higher gross profit margins in general. In particular, our Group was awarded two public tunnel construction projects during the year ended 31 December 2015 which had an average gross profit margin of approximately 58.2% for the year ended 31 December 2015. For more details of our gross profit and gross profit margin, please refer to the paragraph headed "Gross profit and gross profit margin" in this section of the prospectus.

Our Group recorded a profit after tax of approximately HK\$7.4 million and HK\$5.0 million for the eight months ended 31 August 2015 and 2016 respectively, representing a net profit margin of approximately 14.4% and 5.9% respectively. The decrease in our net profit and net profit margin was mainly due to the recognition of listing expenses of approximately HK\$0.1 million and HK\$6.3 million for the eight months ended 31 August 2015 and 2016 respectively. Excluding the impact of our listing expenses for the eight months ended 31 August 2016, we would have recorded a net profit of approximately HK\$11.4 million, representing a net profit margin of approximately 13.4%.

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LIQUIDITY AND CAPITAL RESOURCES

Net current assets

The following table sets out the details of our current assets and liabilities as at the end of the financial years/periods indicated:

	As at 31 December		As at 31 August	As at 31 December
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets				
Amounts due from customers				
for contract work	365	274	546	546
Trade and other receivables	21,504	37,160	44,000	55,884
Amounts due from related companies	3,341	3,838	487	–
Amounts due from shareholders	210	410	–	–
Cash and cash equivalents	<u>265</u>	<u>318</u>	<u>3,822</u>	<u>2,104</u>
Total current assets	<u>25,685</u>	<u>42,000</u>	<u>48,855</u>	<u>58,534</u>
Current liabilities				
Trade and other payables	8,228	8,003	12,851	16,301
Amounts due to directors	2,356	1,866	–	–
Amounts due to customers for contract work	4,717	169	–	–
Amount due to a related company	5,913	10,922	–	–
Bank overdrafts	–	–	10,489	8,772
Obligation under finance leases	12	12	62	63
Current tax liabilities	<u>959</u>	<u>1,398</u>	<u>3,469</u>	<u>1,787</u>
Total current liabilities	<u>22,185</u>	<u>22,370</u>	<u>26,871</u>	<u>26,923</u>
Net current assets	<u>3,500</u>	<u>19,630</u>	<u>21,984</u>	<u>31,611</u>

Our Group's current assets mainly consisted of (i) trade and other receivables; and (ii) amounts due from related companies. Our current assets amounted to approximately HK\$25.7 million as at 31 December 2014, HK\$42.0 million as at 31 December 2015, HK\$48.9 million as at 31 August 2016 and HK\$58.5 million as at 31 December 2016.

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Our Group's current liabilities mainly consisted of (i) trade and other payables; (ii) amounts due to customers for contract work; (iii) amounts due to directors; and (iv) amounts due to a related company. Our current liabilities amounted to approximately HK\$22.2 million as at 31 December 2014, HK\$22.4 million as at 31 December 2015, HK\$26.9 million as at 31 August 2016 and HK\$26.9 million as at 31 December 2016.

Our Group's net current assets increased by approximately 460.9% from approximately HK\$3.5 million as at 31 December 2014 to approximately HK\$19.6 million as at 31 December 2015. Such increase was mainly due to the increase in trade and other receivables from approximately HK\$21.5 million as at 31 December 2014 to approximately HK\$37.2 million as at 31 December 2015. The increase in trade and other receivables over the preceding year was mainly attributable to the commencement of two public tunnel construction projects during the fourth quarter of the year ended 31 December 2015 where trade and retention receivables of approximately HK\$10.7 million were recorded and yet to be settled as at 31 December 2015.

In addition, the increase in our Group's net current assets was also attributable to the decrease in amounts due to customers for contract work from approximately HK\$4.7 million as at 31 December 2014 to approximately HK\$0.2 million as at 31 December 2015. Such decrease over the preceding year was due to the reversal of the expected loss of approximately HK\$4.5 million for the Loss Making Project recognised in prior years. Such decrease was offset by the increase in amounts due to a related company of approximately HK\$5.0 million attributable to the increase in borrowing from GMI as at 31 December 2015 to finance our daily operations.

Our net current assets increased by approximately 12.0% from approximately HK\$19.6 million as at 31 December 2015 to approximately HK\$22.0 million as at 31 August 2016. Such increase was mainly attributable to the combined effects of (i) the increase in trade and other receivables from approximately HK\$37.2 million as at 31 December 2015 to approximately HK\$44.0 million as at 31 August 2016; (ii) the increase in trade and other payables from approximately HK\$8.0 million as at 31 December 2015 to approximately HK\$12.9 million as at 31 August 2016; (iii) the increase in current tax liabilities from approximately HK\$1.4 million as at 31 December 2015 to approximately HK\$3.5 million as at 31 August 2016; and (iv) the decrease in amounts due to directors from approximately HK\$1.9 million as at 31 December 2015 to nil as at 31 August 2016. The increase in trade and other receivables was mainly due to the increase in deposits paid for plant and machinery rental as well as an increase in listing expenses incurred which will be accounted for as a deduction from equity upon Listing. The increase in trade and other payables was mainly due to a relatively large balance of wages payable as at 31 August 2016 which was paid in September 2016. The increase in current tax liabilities was due to the provision of tax liabilities with regards to the assessable profit for the eight months ended 31 August 2016. The decrease in amounts due to directors was due to our repayment to Directors during the eight months ended 31 August 2016.

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As at 31 December 2016, our net current asset increased to approximately HK\$31.6 million mainly due to the combined effects of (i) the decrease in our cash and cash equivalents from approximately HK\$3.8 million as at 31 August 2016 to approximately HK\$2.1 million as at 31 December 2016; and (ii) the increase in our trade and other receivables from approximately HK\$44.0 million as at 31 August 2016 to approximately HK\$55.9 million as at 31 December 2016.

Cash flow

The following table sets out a summary of our net cash flow for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2015 and 2016:

	Year ended 31 December		Eight months ended 31 August	
	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents at the beginning of the year/period	237	265	265	318
Net cash generated from/(used in) operating activities	7,560	(3,268)	(979)	7,057
Net cash (used in)/generated from investing activities	(4,730)	(639)	389	(4,236)
Net cash (used in)/generated from financing activities	(2,802)	3,960	1,454	(9,806)
Net increase/(decrease) in cash and cash equivalents	28	53	864	(6,985)
Cash and cash equivalents at the end of the year/period	265	318	1,129	(6,667)

Cash flows generated from operating activities

We generate our cash flow from operating activities principally from the provision of our tunnel construction services and utility construction and other services, whilst our working capital requirements generally include staff costs and payments to suppliers. During the Track Record Period, cash flow generated from operating activities represented profit before income tax for the year adjusted for non-cash items, such as depreciation, and changes in working capital.

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We experienced a change from a net cash generated from operating activities amounted to approximately HK\$7.6 million for the year ended 31 December 2014 to a net cash used in operating activities amounted to approximately HK\$3.3 million for the year ended 31 December 2015. Such change was mainly due to the combined effects of (i) the decrease in amount due to customers for contract work of approximately HK\$4.5 million; (ii) the increase in trade and other receivables of approximately HK\$15.7 million; and (iii) the increase in tax paid of approximately HK\$2.6 million for the year ended 31 December 2015. Such decrease was partly offset by the increase in profit before income tax expenses of approximately HK\$9.9 million.

For the eight months ended 31 August 2015, we recorded net cash used in operating activities of approximately HK\$1.0 million. Such amount mainly resulted from (i) an operating profit before working capital changes of approximately HK\$10.2 million; (ii) an increase in trade and other receivables of approximately HK\$4.4 million; (iii) a decrease in trade and other payables of approximately HK\$3.4 million; and (iv) a decrease in amounts due to customers for contract work of approximately HK\$3.6 million. For the eight months ended 31 August 2016, we recorded net cash generated from operating activities of approximately HK\$7.1 million and such amount mainly resulted from (i) an operating profit before working capital changes of approximately HK\$9.0 million; (ii) an increase in trade and other receivables of approximately HK\$6.8 million; and (iii) an increase in trade and other payables of approximately HK\$4.8 million.

Cash flows from investing activities

Our net cash outflow from investing activities amounted to approximately HK\$4.7 million and HK\$0.6 million for the two years ended 31 December 2015. The decrease was mainly due to the substantial investment in plant and machinery of approximately HK\$5.0 million for our daily operations during the year ended 31 December 2014.

Our net cash generated from investing activities of approximately HK\$0.4 million for the eight months ended 31 August 2015 was mainly resulted from the sale of property, plant and equipment during the period. For the eight months ended 31 August 2016, we recorded net cash used in investing activities of approximately HK\$4.2 million as we purchased plant and machinery during the period.

Cash flows from financing activities

We experienced a change from a net cash used in financing activities amounting to approximately HK\$2.8 million for the year ended 31 December 2014 to a net cash generated from financing activities amounting to approximately HK\$4.0 million for the year ended 31 December 2015. Such change was mainly due to the increase in our borrowing from GMI from approximately HK\$5.9 million as at 31 December 2014 to approximately HK\$10.9 million as at 31 December 2015.

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For the eight months ended 31 August 2015 and 2016, we recorded net cash generated from financing activities of approximately HK\$1.5 million and net cash used in financing activities of approximately HK\$9.8 million respectively. During the eight months ended 31 August 2016, our Group had obtained overdraft facilities of approximately HK\$11.0 million from a bank and repaid loans to GMI. Therefore, net cash used in financing activities increased to approximately HK\$9.8 million.

Capital expenditures

For the two years ended 31 December 2015 and the eight months ended 31 August 2016, our Group incurred capital expenditures of approximately HK\$5.1 million, HK\$1.3 million and HK\$4.5 million respectively, as set out below:

	Year ended 31 December		Eight months ended 31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Furniture and fixtures	1	4	–
Office equipment	74	58	54
Plant and machinery	4,562	1,088	4,099
Motor vehicles	437	198	380
	<u> </u>	<u> </u>	<u> </u>
Total	<u>5,074</u>	<u>1,348</u>	<u>4,533</u>

Our Group's capital expenditures mainly consisted of additions to plant and equipment in line with our business expansion. Investment in suitable machinery is crucial to our business operations as it has a direct impact on our productivity and efficiency. Our Directors are of the view that additional capital expenditures will be incurred as our Group continues to expand. Our Group plans to finance future capital expenditures primarily through the net proceeds of the Placing, bank borrowings as well as cash flows generated from operations.

Capital commitments

As at the Latest Practicable Date, our Group did not have any significant capital commitments.

FINANCIAL INFORMATION

Statement of indebtedness

As at 31 December 2016, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, our Group has overdraft facilities of approximately HK\$11.0 million and lease facility of approximately HK\$2.5 million from a bank of which our Group had utilised overdraft facilities of approximately HK\$8.8 million. As at 31 December 2016, we also recorded obligations under finance leases of approximately HK\$0.2 million.

Save as aforesaid or as otherwise disclosed herein, our Group did not have outstanding as at the close of business on 31 December 2016, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other significant contingent liabilities.

Contingent liabilities

During the Track Record Period, our Group did not have any significant contingent liabilities.

Our Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of our Group since 31 December 2016 and up to the date of this prospectus.

Our Directors have confirmed that there have been no material defaults in payment during the Track Record Period.

Financial resources

During the Track Record Period and up to the Latest Practicable Date, we have funded our liquidity and working capital requirements primarily by capital injection from shareholders, cash generated from operating activities, and credit facilities from GMI. We intend to finance our future operations, capital expenditures and other working capital requirements with the cash generated from operating activities, cash and bank balances available, credit facilities from banks and the net proceeds from the Placing. As at the Latest Practicable Date, our Group had unutilised overdraft facilities of approximately HK\$2.5 million and unutilised lease facility of approximately HK\$2.5 million.

Sufficiency of working capital

Our Directors confirm that, after due and careful enquiry and taking into consideration of the presently available financial resources to our Group, including other internal resources and the expected net proceeds of the Placing, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

Combined statements of financial position

The following table sets out our combined statements of financial position as derived from the accountant's report in Appendix I to this prospectus:

	As at 31 December 2014 HK\$'000	As at 31 December 2015 HK\$'000	As at 31 August 2016 HK\$'000
Non-current assets			
Property, plant and equipment	4,026	2,974	5,984
Current assets			
Amounts due from customers for contract work	365	274	546
Trade and other receivables	21,504	37,160	44,000
Amounts due from related companies	3,341	3,838	487
Amounts due from shareholders	210	410	–
Cash and cash equivalents	<u>265</u>	<u>318</u>	<u>3,822</u>
	25,685	42,000	48,855
Current liabilities			
Trade and other payables	8,228	8,003	12,851
Amounts due to directors	2,356	1,866	–
Amounts due to customers for contract work	4,717	169	–
Amount due to a related company	5,913	10,922	–
Bank overdrafts	–	–	10,489
Obligations under finance leases	12	12	62
Current tax liabilities	<u>959</u>	<u>1,398</u>	<u>3,469</u>
	<u>22,185</u>	<u>22,370</u>	<u>26,871</u>
Net current assets	<u>3,500</u>	<u>19,630</u>	<u>21,984</u>
Total assets less current liabilities	7,526	22,604	27,968
Non-current liabilities			
Obligation under finance leases	43	31	167
Deferred tax liabilities	<u>405</u>	<u>325</u>	<u>510</u>
	<u>448</u>	<u>356</u>	<u>677</u>
NET ASSETS	<u><u>7,078</u></u>	<u><u>22,248</u></u>	<u><u>27,291</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	1,800	1,800	1,800
Reserves	<u>5,278</u>	<u>20,448</u>	<u>25,491</u>
TOTAL EQUITY	<u><u>7,078</u></u>	<u><u>22,248</u></u>	<u><u>27,291</u></u>

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Property, plant and equipment

Our Group's property, plant and equipment consist of (i) plant and machinery; (ii) motor vehicles; (iii) furniture and fixtures; (iv) office equipment; and (v) leasehold improvement. The carrying amount of our Group's property, plant and equipment decreased from approximately HK\$4.0 million as at 31 December 2014 to approximately HK\$3.0 million as at 31 December 2015. The decrease in balance was mainly due to the combined effects of (i) additions and disposal of plant and machinery during the year ended 31 December 2015; and (ii) the depreciation charges during the year. As at 31 August 2016, the balance increased to approximately HK\$6.0 million mainly due to our purchase of plant and machinery during the period.

As at 31 December 2015 and 31 August 2016, the cost of our Group's major types of machinery amounted to approximately HK\$2.5 million and HK\$3.7 million respectively which included concrete pump, rock splitter, hydraulic excavators and air compressors. The useful life of these major machinery is estimated to be approximately three years. During the year ended 31 December 2015 and the eight months ended 31 August 2016, the utilisation rate of these major machinery was approximately 93.2% and 83.5% respectively. As at 31 December 2015 and 31 August 2016, the average residual life of our major machinery was approximately 1.4 years and 1.4 years respectively.

Amounts due from customers for contract work

The balance as at the financial year/period ends represented works performed by us, which the works had not yet been certified by our customers. Our Group recorded amounts due from customers for contract work of approximately HK\$0.4 million as at 31 December 2014, HK\$0.3 million as at 31 December 2015 and HK\$0.5 million as at 31 August 2016 respectively. The balances were comparable over the year/period, without significant change.

Trade and other receivables

The following table sets out the breakdown of our trade and other receivables as at 31 December 2014 and 2015 and 31 August 2016:

	As at 31 December		As at 31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	12,832	25,217	24,143
Retention receivables	8,103	11,279	14,920
Prepayments and deposits	569	664	4,937
Total trade and other receivables	21,504	37,160	44,000

FINANCIAL INFORMATION

Trade receivables

Our Group recorded trade receivables of approximately HK\$12.8 million, HK\$25.2 million and HK\$24.1 million as at 31 December 2014 and 2015 and 31 August 2016 respectively. The increase in trade receivables balance as at 31 December 2015 was mainly attributable to the commencement of two public tunnel construction projects in the fourth quarter of the year ended 31 December 2015 where trade receivables of approximately HK\$9.6 million were recorded and yet to be settled as at 31 December 2015. Such increase resulted in the increase in debtors' turnover days from approximately 50 days for the year ended 31 December 2014 to approximately 115 days for the year ended 31 December 2015. As at 31 August 2016, our trade receivables decreased slightly to approximately HK\$24.1 million.

The following is an analysis of trade receivables by age, net of impairment loss, presented based on invoice dates:

	As at 31 December	As at 31 August	
	2014	2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
		2016	
		<i>HK\$'000</i>	
Less than one month	12,780	24,907	23,428
One to three months	–	81	153
More than three months but less than 12 months	27	204	537
More than one year	<u>25</u>	<u>25</u>	<u>25</u>
	<u>12,832</u>	<u>25,217</u>	<u>24,143</u>
Debtors' turnover days (<i>Note</i>)	<u>50</u>	<u>115</u>	<u>70</u>

Note: Debtors' turnover days are calculated based on the ending trade receivables of a given year divided by the revenue for the corresponding year and multiplied by 365 days. Debtor's turnover days for the eight months ended 31 August 2016 was annualised for illustrative purpose.

An ageing analysis of our Group's trade receivables that were past due but not impaired are as follows:

	As at 31 December	As at 31 August	
	2014	2015	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
		2016	
		<i>HK\$'000</i>	
Neither past due nor impaired	12,780	24,922	23,848
Less than one month past due	–	66	–
One to three months past due	–	104	–
More than three months past due but less than one year past due	27	100	270
More than one year past due	<u>25</u>	<u>25</u>	<u>25</u>
	<u>12,832</u>	<u>25,217</u>	<u>24,143</u>

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Our Group generally allows credit period of 21 to 60 days to our customers. We do not hold any collateral over our trade receivables. Trade receivables are individually impaired and recognised based on the credit history of customers. Our Group had past due trade receivables balance, net of impairment loss, of approximately HK\$0.1 million, HK\$0.3 million and HK\$0.3 million as at 31 December 2014 and 2015 and 31 August 2016 respectively, whilst allowance for doubtful debts amounted to approximately HK\$0.3 million, HK\$0.3 million and HK\$0.3 million as at 31 December 2014 and 2015 and 31 August 2016 respectively. An impairment of trade receivables amounted to approximately HK\$0.2 million was recorded during the year ended 31 December 2014. We did not record any provision for impairment of trade receivables for the year ended 31 December 2015 and the eight months ended 31 August 2016. Other than the abovementioned, our Directors are of the view that recognition of other allowance for doubtful debt is not necessary as there is no recent history of default in settlement by our customers and the amounts are still considered recoverable.

As at Latest Practicable Date, out of approximately HK\$24.1 million of our trade receivable balance as at 31 August 2016, approximately HK\$23.2 million had been subsequently settled.

Retention receivables

Our Group recorded retention receivables of approximately HK\$8.1 million, HK\$11.3 million and HK\$14.9 million as at 31 December 2014 and 2015 and 31 August 2016 respectively. The increase from 31 December 2014 to 31 December 2015 was mainly attributable to the combined effects of (i) the commencement of new projects in 2015 in which approximately HK\$1.7 million of retention receivables were recognised; and (ii) the increase in retention receivables of approximately HK\$1.8 million for the projects which commenced before 2015 as more work was conducted during the year ended 31 December 2015. As at 31 August 2016, such balance increased to approximately HK\$14.9 million as a result of (i) our recognition of approximately HK\$4.6 million of retention receivables; and (ii) a settlement of retention receivables amounted to approximately HK\$1.0 million.

Prepayments and deposits

The balance mainly represented rental deposits and prepaid insurance for motor vehicles as well as certain expenses of the Listing. The balances amounted to approximately HK\$0.6 million, HK\$0.7 million and HK\$4.9 million as at 31 December 2014 and 2015 and 31 August 2016 respectively. The balances were comparable as at 31 December 2014 and 2015, without significant change. The increase to approximately HK\$4.9 million as at 31 August 2016 was mainly due to (i) a deposit of approximately HK\$1.5 million paid to one of our suppliers for the rental of plant and machinery; and (ii) listing expenses paid to professional parties amounted to approximately HK\$2.2 million, which will be accounted for as a deduction from equity upon Listing.

FINANCIAL INFORMATION

Amounts due to directors

As at 31 December 2014 and 2015, our Group recorded an amount due to Mr. Boris Chuang of approximately HK\$0.3 million and HK\$0.2 million respectively and an amount due to Mr. Stephen Chuang of approximately HK\$2.1 million and HK\$1.7 million respectively. The balances mainly represented funds provided by our Directors in prior years for our Group's daily operations. The decrease in balances over the preceding year was mainly due to the repayment of funds to these Directors during the year ended 31 December 2015. Such balances had been fully settled in April 2016 and there was no such balance as at 31 August 2016.

Amounts due from related companies

Set out below is the breakdown of the amounts due from related companies of our Group as at 31 December 2014 and 2015 and 31 August 2016:

	As at 31 December		As at
	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
GMT	3,170	3,175	–
Toprate Associates Limited	160	165	–
Excel Steel Pty Ltd	11	11	–
Ming Kee Property Development Limited	–	487	487
	<u>–</u>	<u>487</u>	<u>487</u>
Total	<u>3,341</u>	<u>3,838</u>	<u>487</u>

The amount due from GMT was approximately HK\$3.2 million as at 31 December 2014 and HK\$3.2 million as at 31 December 2015 respectively. Mr. Boris Chuang, Mr. Stephen Chuang and Mr. Ng are the directors (Mr. Ng had resigned from his position as a director on 11 November 2016) and shareholders of GMT, which was mainly engaged in trading of raw materials and commodities prior to its cessation of business. The balance mainly represented the payment made on behalf of GMT by our Group in order to settle GMT's outstanding bank loan in prior years. The balances were comparable over the year, without significant change and had been fully settled in March 2016.

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The amount due from Toprate Associates Limited was approximately HK\$0.2 million as at 31 December 2014 and HK\$0.2 million as at 31 December 2015. Mr. Boris Chuang and Ms. Chuang are the beneficial owners of Toprate Associates Limited, which was mainly engaged in the provision of design works on scaffolding and soffit formwork prior to its cessation of business. The balance mainly represented the funds provided by our Group to Toprate Associates Limited for its business operations in prior years. The balances were comparable over the year, without significant change and had been fully settled in March 2016.

The amount due from Excel Steel Pty Ltd was approximately HK\$11,000 as at 31 December 2014 and HK\$11,000 as at 31 December 2015 respectively. Mr. Ng is a director and a shareholder of Excel Steel Pty Ltd, which was mainly engaged in the sales of cages, stillages and pallets for storage. The balance mainly represented the payment of miscellaneous expenses on behalf of Excel Steel Pty Ltd by our Group in prior years. The balances were comparable over the year and had been fully settled in March 2016.

The amount due from Ming Kee Property Development Limited was nil as at 31 December 2014, approximately HK\$0.5 million as at 31 December 2015 and approximately HK\$0.5 million as at 31 August 2016 respectively. Mr. Ng is a director and shareholder of Ming Kee Property Development Limited which was engaged in construction business. The balance represented a reimbursement of all costs to us by Ming Kee Property Development Limited following the settlement of a contractual dispute arising in 2011 in which we were co-defendants with Ming Kee Property Development Limited. For details of the said contractual dispute, please refer to the paragraph headed “Contractual dispute” in the section headed “Business” of this prospectus.

Amount due to a related company

As at 31 December 2014 and 2015, our Group recorded an amount due to GMI of approximately HK\$5.9 million and HK\$10.9 million respectively. Mr. Boris Chuang, Mrs. Chuang and Mr. Ng are the directors (Mr. Ng had resigned from his position as a director on 11 November 2016) and shareholders of GMI. The principal activity of GMI is the trading of steel products from the PRC to Australia. The balance mainly represented loans received by our Group for our daily operations from GMI. The increase in the balance over the preceding year was mainly due to the increase in the cash flow requirement of our business operations attributable to the increase in our number of projects during the year. The balance had been fully settled in April 2016. During the eight months ended 31 August 2016, our Group has obtained overdraft facilities of approximately HK\$11.0 million and a lease facility of approximately HK\$2.5 million from a bank and no longer borrows from GMI for our working capital requirements. As such, there was no such balance as at 31 August 2016.

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Bank overdrafts

As mentioned under the paragraph headed “Amount due to a related company” in this section of the prospectus, during the eight months ended 31 August 2016, our Group had obtained overdraft facilities of approximately HK\$11.0 million. The balance of approximately HK\$10.5 million represented the overdraft facilities utilised as at 31 August 2016.

Amounts due from shareholders

	As at 31 December		As at
	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Mrs. Chuang	60	60	–
Ms. Chuang	60	60	–
Mr. Lo	60	60	–
Mr. Ng	30	230	–
 Total	210	410	–

Our Group recorded amounts due from Mrs. Chuang, Ms. Chuang and Mr. Lo of approximately HK\$180,000 in total as at 31 December 2014 and 2015 respectively. The balances mainly represented advances to the respective Shareholders in prior years. The balances had been fully settled in March 2016.

In addition, our Group recorded an amount due from Mr. Ng of approximately HK\$30,000 as at 31 December 2014 and HK\$230,000 as at 31 December 2015 respectively. The balance was mainly related to cash advances to Mr. Ng as during the ordinary course of business, Mr. Ng purchased miscellaneous construction materials and items such as welding rods, welding machines, gloves, safety helmets and safety boots on behalf of our Group from time to time for operational expedience. Mr. Ng provided us with invoices when miscellaneous construction materials and items were purchased and our Group recorded them as expenses accordingly thereafter. The increase in the balance over the preceding year was mainly attributable to the commencement of two tunnel construction projects in the fourth quarter of the year ended 31 December 2015 in which Mr. Ng had to purchase significant amount of miscellaneous construction materials and items from time to time. Such balance had been fully settled in March 2016.

FINANCIAL INFORMATION

Trade and other payables

The following table sets out the breakdown of our trade and other payables as at each reporting date indicated:

	As at 31 December		As at
	2014	2015	31 August
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2016</i> <i>HK\$'000</i>
Trade payables	3,847	2,618	3,319
Accruals and other payables	<u>4,381</u>	<u>5,385</u>	<u>9,532</u>
 Total trade and other payables	 <u><u>8,228</u></u>	 <u><u>8,003</u></u>	 <u><u>12,851</u></u>

Trade payables mainly represented amounts due to suppliers for the purchase of construction materials and rental of plant and machinery, whilst accruals and other payables mainly represented accrued staff salaries and allowances and audit fee.

Our Group recorded trade payables of approximately HK\$3.8 million as at 31 December 2014 and approximately HK\$2.6 million as at 31 December 2015 respectively, representing a decrease of approximately 31.9%. The decrease was mainly due to the decrease in the need to purchase construction materials by our Group for the Loss Making Project and a public tunnel construction project as majority of works of these projects had been carried out in 2014. As at 31 August 2016, our trade payables balance increased to approximately HK\$3.3 million mainly due to our increase in rental of plant and machinery for a tunnel construction project which commenced in October 2015.

Other payables and accruals mainly represented salary payables, accrued listing expenses as well as miscellaneous expenses payables. Our accruals and other payables increased from approximately HK\$4.4 million as at 31 December 2014 to approximately HK\$5.4 million as at 31 December 2015, representing an increase of approximately 22.9% over the preceding year. The increase was mainly due to the combined effects of (i) the provision for staff bonus of approximately HK\$0.5 million during the year ended 31 December 2015 which was attributable to the increase in our profit for the year; and (ii) the provision for the related costs of approximately HK\$0.5 million in relation to a settled contractual dispute arising in 2011 in which we were co-defendants with Ming Kee Property Development Limited. As at 31 August 2016, our accruals and other payables balance increased to approximately HK\$9.5 million mainly due to the combined effects of (i) our settlement of listing expenses of approximately HK\$0.6 million during the eight months ended 31 August 2016; and (ii) a relatively large balance of salary payable of approximately HK\$6.8 million recorded as at August 2016, which had been subsequently settled in September 2016.

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Amount due to customers for contract work

Our Group recorded amounts due to customers for contract of approximately HK\$4.7 million and HK\$0.2 million as at 31 December 2014 and 2015 respectively. The balance as at 31 December 2014 represented the accumulated expected loss of the Loss Making Project of approximately HK\$4.7 million recognised in prior years. The substantial decrease in the balance from 2014 to 2015 was attributable to the reversal of the expected loss of approximately HK\$4.5 million recognised in prior years for the Loss Making Project during the year ended 31 December 2015. For more details of the reversal of the expected loss, please refer to the paragraph headed “Reversal of expected loss recognised in prior year(s)” in this section of this prospectus. As at 31 August 2016, there was no amount due to customers for contract work.

Reserves

Our Group’s reserves mainly represented retained earnings. Our reserves amounted to approximately HK\$5.3 million as at 31 December 2014 and approximately HK\$20.4 million as at 31 December 2015. Prior to the Track Record Period, our Group participated in the Loss Making Project and approximately HK\$6.0 million and HK\$1.0 million of expected loss was recorded in 2013 and 2014 respectively. Due to the recognition of the expected loss of approximately HK\$6.0 million in 2013, our Group recorded accumulated losses of approximately HK\$3.1 million as at 1 January 2014.

Our Group experienced a change from accumulated losses of approximately HK\$3.1 million as at 1 January 2014 to retained earnings of approximately HK\$5.0 million as at 31 December 2014. Such change was mainly due to the profit for the year of approximately HK\$6.9 million for the year ended 31 December 2014. Our Group’s retained earnings further increased from approximately HK\$5.0 million as at 31 December 2014 to approximately HK\$20.4 million as at 31 December 2015. Such increase was mainly attributable to the profit for the year of approximately HK\$15.4 million for the year ended 31 December 2015. As at 31 August 2016, our Group’s retained earnings increased to approximately HK\$25.4 million as we recorded a profit of approximately HK\$5.0 million for the eight months ended 31 August 2016.

DIVIDEND

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

During the Track Record Period, no dividend was declared.

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

IMPACT OF LISTING EXPENSES

The listing expenses represent the fees and costs incurred for the issue of new Shares and the listing of our Shares on GEM. As the issue of new Shares is the issue of an equity instrument, but the listing of existing and new Shares is not, the listing expenses are required to be allocated between the two transactions with reference to the proportion of the number of new Shares to be issued to the total number of Shares in issue upon Listing. Since the number of new Shares to be issued represents 25.0% of the total number of Shares in issue upon Listing, listing expenses that are directly attributable to the issue of new Shares are accounted for as a deduction from equity, whilst expenses that are not clearly separable are allocated to equity and profit or loss on a ratio of 25:75.

Our Directors are of the view that the listing expenses in relation to the Listing would have an impact on the financial results of our Group for the year ended 31 December 2016 and the year ending 31 December 2017. The estimated listing expenses are approximately HK\$21.5 million, of which approximately HK\$7.6 million is directly attributable to the issue of new Shares under the Placing and is expected to be accounted for as a deduction from equity. During the two years ended 31 December 2015 and the eight months ended 31 August 2016, our Group had recognised listing expenses of approximately nil, HK\$0.7 million and HK\$6.3 million respectively, in the combined statement of comprehensive income. The remaining listing expenses of approximately HK\$1.3 million and HK\$5.6 million are expected to be charged to the combined statement of comprehensive income of our Group for the remaining four months for the year ended 31 December 2016 and the year ending 31 December 2017 respectively.

Our Directors would like to emphasise that the listing expenses in relation to the Listing is a current estimate for reference only and the final amount to be recognised in the equity and the combined statement of comprehensive income of our Group for the year ended 31 December 2016 are subject to adjustment due to changes in estimates and assumptions.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	Year ended 31 December		Eight months ended 31 August
	2014	2015	2016
Current ratio	1.2 times	1.9 times	1.8 times
Gearing ratio	116.8%	57.5%	38.4%
Debt to equity ratio	113.1%	56.0%	24.4%
Return on total asset	23.3%	33.7%	(Note 1)
Return on equity	98.0%	68.2%	(Note 1)
Interest coverage ratio	23.2 times	54.7 times	22.4 times

Note:

1. Return on total assets/return on equity is not applicable since the recorded net profit/loss only represents the amount for the eight months ended 31 August 2016.

Current ratio

Current ratio is calculated by dividing current assets with current liabilities as at the respective year/period ends. The current ratio increased from approximately 1.2 times as at 31 December 2014 to approximately 1.9 times as at 31 December 2015. Such increase was mainly due to the increase in our Group's net current assets as at 31 December 2015 as a result of (i) the increase in our Group's trade and other receivable of approximately HK\$15.7 million; and (ii) the decrease in amounts due to customers for contract work of approximately HK\$4.5 million. The combined effects were partly offset by the increase in amounts due to a related company of approximately HK\$5.0 million over the preceding year. As at 31 August 2016, the current ratio was approximately 1.8 times and was comparable to the ratio of approximately 1.9 times as at 31 December 2015.

Gearing ratio

Gearing ratio is calculated by dividing total debt (payables incurred not in the ordinary course of business) with the total equity as at the respective year/period ends. The gearing ratio decreased from approximately 116.8% as at 31 December 2014 to approximately 57.5% as at 31 December 2015. The decrease in our gearing ratio as at 31 December 2015 as compared to 2014 was primarily due to the growth in our retained earnings in 2015 as a result of our growth in net profit from approximately HK\$6.9 million in 2014 to approximately HK\$15.2 million in 2015.

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Our gearing ratio further decreased to approximately 38.4% due to (i) the decrease in amounts due to Directors of approximately HK\$1.9 million during the eight months ended 31 August 2016; and (ii) the increase in equity from approximately HK\$22.2 million as at 31 December 2015 to approximately HK\$27.3 million as at 31 August 2016. There was an increase in equity as we recorded a profit of approximately HK\$5.0 million during the eight months ended 31 August 2016.

Debt to equity ratio

Debt to equity ratio is calculated by dividing net debt (being all borrowings net of cash and cash equivalents) by total equity as at the respective year/period ends. Debt to equity ratio decreased from approximately 113.1% as at 31 December 2014 to approximately 56.0% as at 31 December 2015. Such decrease was primarily due to the growth in our retained earnings in 2015 as a result of our growth in net profit from approximately HK\$6.9 million in 2014 to approximately HK\$15.2 million in 2015. Our debt to equity ratio further decreased to approximately 24.4% as at 31 August 2016. The decrease was mainly due to (i) the increase in our cash and cash equivalents balance from approximately HK\$0.3 million as at 31 December 2015 to approximately HK\$3.8 million as at 31 August 2016; and (ii) the increase in our equity from approximately HK\$22.2 million as at 31 December 2015 to approximately HK\$27.3 million as at 31 August 2016.

Return on total asset

Return on total assets is calculated by dividing net profit for the year with the total assets as at the respective year ends. Our return on total assets increased from approximately 23.3% for the year ended 31 December 2014 to approximately 33.7% for the year ended 31 December 2015. Such increase was mainly due to the increase in net profit for the year ended 31 December 2015 as disclosed under the paragraph headed “Net profit and net profit margin” in this section of the prospectus.

Return on equity

Return on equity is calculated by dividing net profit for the year with the total equity as at the respective year ends. Our Group experienced a decrease in our return on equity from approximately 98.0% for the year ended 31 December 2014 to approximately 68.2% for the year ended 31 December 2015. Such decrease was mainly attributable to our low equity base as at 31 December 2014 as a result of our participation in the Loss Marking Project where expected losses were recorded in 2013 and 2014 respectively.

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Interest coverage ratio

Interest coverage is calculated by dividing profit before interest and tax with the finance cost for the corresponding years/period. Our interest coverage increased from approximately 23.2 times in 2014 to approximately 54.7 times in 2015. Such increase was primarily due to our significant increase in net profit before finance costs and income tax which was mainly attributable to our growth in net profit as disclosed under the paragraph headed “Net profit and net profit margin” in this section of the prospectus. For the eight months ended 31 August 2016, our interest coverage ratio decreased to approximately 22.4 times as we recognised listing expenses of approximately HK\$6.3 million during this period. Excluding the impact of the listing expenses, we would have recorded an interest coverage ratio of approximately 41.0 times for the eight months ended 31 August 2016.

FINANCIAL RISKS

We are exposed to various types of financial risks, including interest credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Our Group is exposed to credit risk from our operating activities (primarily for trade and retention receivables) and from amounts due from shareholders, amounts due from related companies and deposits with banks. The credit risk of Group’s trade and retention receivables is concentrated, since 100%, 98% and 91% of which was derived from our five largest customers as at 31 December 2014 and 2015 and 31 August 2016 respectively.

Our Group’s customers are reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as our Group performs ongoing credit evaluation on the financial condition of our debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by our Group during the Track Record Period and are considered to have been effective in limiting our Group’s exposure to credit risk to a desirable level. None of our Group’s financial assets are secured by collateral or other credit enhancements.

Our Group’s major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

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Liquidity risk

Liquidity risk related to the risk that our Group will not be able to meet our obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our Group is exposed to liquidity risk in respect of settlement of bank overdrafts, trade and other payables, loan from GMI, amounts due to directors and its obligations under finance lease, and also in respect of our cash flow management. In the management of liquidity risk, our Group's policy is to regularly monitor our liquidity requirements in order to maintain sufficient reserves of cash in the short and long term. The liquidity policies have been followed by our Group during the Track Record Period and are considered to have been effective in managing liquidity risk.

For the details of the contractual maturity for our non-derivative financial liabilities, please refer to the paragraph headed "Liquidity risk" under note 28 of the accountant's report set out in Appendix I to this prospectus.

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Our Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, loan from GMI and bank overdrafts. Interests charged on our Group's loan from GMI and bank overdrafts are at variable rates which are linked to the relevant bank interest rate. Our Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

For the details of the sensitivity analysis of the interest rates for variable-rate bank balances and loan from GMI, please refer to the paragraph headed "Interest rate risk" under note 28 of the accountant's report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into the following transactions with related parties.

Related party	Nature of transaction	Notes	Year ended		Eight months ended	
			31 December		31 August	
			2014	2015	2015	2016
			HK\$'000	HK\$'000	HK\$'000	HK\$'000
GMI	Purchase of fixed assets and materials	(1)	3,507	147	132	170
	Loan interest expenses	(2)	385	343	123	113
Advance Composite Limited	Waiver of an amount due to a related company	(3)	77	–	–	–
Toprate Associates Limited	Design fee expense	(4)	450	–	–	–
Dragon Castle Holding Limited	Service fee expense	(5)	450	–	–	–

Notes:

- Amounts represented the purchase costs of machinery and construction materials from overseas for construction projects paid on behalf of our Group by GMI in which Mr. Boris Chuang, Mrs. Chuang and Mr. Ng are the directors (Mr. Ng had resigned from his position as a director on 11 November 2016) and shareholders.
- Amounts represented the interest paid to GMI at 5.25% per annum for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 in relation to the loan provided to our Group for the respective years/period.
- Amounts represented the other income received from Advance Composite Limited due to the waiver of an amount due to Advance Composite Limited in which Mr. Boris Chuang and Mr. Ng were the directors and shareholders before its deregistration on 22 May 2015.
- Amounts represented the design fee expense in relation to the design works on scaffolding and soffit support work provided by Toprate Associates Limited in which Mr. Boris Chuang and Ms. Chuang are the beneficial owners.
- Amounts represented the service fee expense in relation to ISO compliance and document control services provided by Dragon Castle Holding Limited which is owned by the spouse of Mr. Ng, who is also the sole director of Dragon Castle Holding Limited.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated on 22 January 2016 and has not carried on any business since the date of our incorporation save for the transactions related to the Reorganisation. Accordingly, there was no reserve available for distribution to the Shareholders as at 31 August 2016.

TAXATION

We are incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and, accordingly, are exempted from the payment of the Cayman Islands income tax. For our subsidiaries incorporated in the BVI, they are incorporated as BVI business companies under the BVI Business Companies Act 2004 and are exempted from payment of income tax of BVI.

For our subsidiaries incorporated in Hong Kong, our profits arising in or derived from Hong Kong are subject to Hong Kong profits tax. Provision for Hong Kong profits tax has been calculated at the applicable rate of 16.5% for the two years ended 31 December 2015 and the eight months ended 31 August 2016 on the estimated assessable profits of our subsidiaries operating in Hong Kong.

For the income tax expense recognised by our Group during the Track Record Period, please refer to note 9 of the accountant's report set out in Appendix I to this prospectus.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the Company's financial or trading position or prospects since 31 August 2016, being the date of the Company's last audited financial statement as set out in Appendix I to this prospectus, up to the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group, which has been prepared in accordance with Rules 7.31 of the GEM Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the Placing on our Group's combined net tangible assets as at 31 August 2016 as if the Placing had taken place on 31 August 2016.

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This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our Group's financial position as at 31 August 2016 or any future dates following the completion of the Placing. It is prepared based on our Group's audited combined financial information as at 31 August 2016 as set forth in the accountant's report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted combined net tangible assets does not form part of the accountant's report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 August 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share HK\$ (Note 3)
Based on the Placing				
Price of HK\$0.50 per Share	<u>27,291</u>	<u>48,132</u>	<u>75,423</u>	<u>0.15</u>
Based on the Placing				
Price of HK\$0.54 per Share	<u>27,291</u>	<u>52,882</u>	<u>80,173</u>	<u>0.16</u>

Notes:

- (1) The audited combined net tangible assets attributable to the owners of our Company as at 31 August 2016 is extracted from the accountant's report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Placing of 125,000,000 Placing Shares are based on the Placing Price of lower limit and upper limit of HK\$0.50 and HK\$0.54 per Placing Share, respectively, after deduction of the underwriting fees and related expenses payable and borne by our Company which have not been reflected in the combined net tangible assets of our Group as at 31 August 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, without taking into account of any Share which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or buy back of Shares referred to in Appendix V to this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 August 2016.

FINANCIAL INFORMATION

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2016

Certain estimate financial information of our Group for the year ended 31 December 2016 are set out below. These estimate financial information have been prepared on the bases set out in the section headed “Profit estimate” in Appendix III to this prospectus, and after taking into account of the Placing.

Estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2016 (<i>Note 1</i>)	Not less than HK\$17.0 million
Unaudited pro forma estimated earnings per Share (<i>Note 2</i>)	Approximately HK\$0.034

Notes:

1. The bases on which the above estimate for the year ended 31 December 2016 has been prepared are summarised in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2016 and on the assumption that 500,000,000 Shares had been in issue throughout the year ended 31 December 2016.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND BUSINESS OBJECTIVES

We intend to expand our business in line with the strategies set out under the paragraph headed “Business objectives and strategies” in the section headed “Business” of this prospectus.

USE OF PROCEEDS

Net proceeds

The net proceeds from the Placing are estimated to be approximately HK\$43.5 million assuming the Placing Price of HK\$0.52 per Placing Share (being the mid-price of the Placing Price range) and 125,000,000 Placing Shares being offered under the Placing and after deducting the underwriting commission and expenses relating to the Placing.

We intend to use such net proceeds from the Placing as follows:

- approximately HK\$16.0 million (approximately 36.8% of the net proceeds) will be used to purchase the following machinery for our tunnel construction site operations as well as to support our marine construction works projects which we intend to extend into;

	<i>HK\$ million</i>
12 excavators	12.6
14 hydraulic cannons	2.9
Miscellaneous parts	<u>0.5</u>
	<u><u>16.0</u></u>

- approximately HK\$12.1 million (approximately 27.7% of the net proceeds) will be used to recruit the following additional prospective and/or experienced employees to increase our capacity in order to tender for more projects and strengthen our reputation as an integrated tunnel construction services provider as well as extending into high-value construction services, such as marine construction works;

	<i>HK\$ million</i>
1 engineer	1.4
2 foremen	1.7
10 tunnel construction workers	<u>9.0</u>
	<u><u>12.1</u></u>

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK9.0 million (approximately 20.7% of the net proceeds) will be used for repayment of overdraft facilities from a bank of which interest is charged at the bank's prime rate. The utilised overdraft facilities with no maturity date is repayable on demand by the bank. The capital obtained from the overdraft facilities was used for our Group's general working capital;
- approximately HK\$1.2 million (approximately 2.8% of the net proceeds) will be used for the rental expense of our newly rented office space which is to cope with our business plan to expand our local business operations and approximately HK\$1.1 million (approximately 2.5% of the net proceeds) will be used to refurbish and decorate the new office space;
- approximately HK\$1.2 million (approximately 2.8% of the net proceeds) will be used to upgrade our information technology and project management systems; and
- the remaining amount of approximately HK\$2.9 million (approximately 6.7% of the net proceeds) will be used to provide funding for our working capital and other general corporate purposes.

If the final Placing Price is set at the high end or the low end point of the indicative Placing Price range, the net proceeds of the Placing will increase or decrease by approximately HK\$2.4 million, respectively.

Any sum raised above the mid-point Placing Price (but within the range) will be applied for the above purposes in the same proportions as set out above. If the sum raised is below the mid-point Placing Price (but within the range), we intend to deploy the lower amount of net proceeds for the above purposes in the same proportions. To the extent that the net proceeds of the Placing are not immediately applied for the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed financial institutions in Hong Kong.

Should our Directors decide to re-allocate the net proceeds to other business plans to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Company will issue an announcement in accordance with the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

Commission and expenses

The Underwriter will receive an underwriting commission, being 5.0% of the gross proceeds, out of which they will pay any sub-underwriting commission. The Sponsor will receive a sponsorship, financial advisory and documentation fee of approximately HK\$4.6 million in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fees and expenses, together with the GEM listing fees (as prescribed in the GEM Listing Rules), legal and other professional fees, and printing and other expenses relating to the Placing and Listing (as negotiated and agreed between each service provider and our Company on an arm's length basis), which are estimated to amount to approximately HK\$21.5 million in aggregate, are to be borne by our Company.

Implementation plans

Set out below is the expected timeline from the Latest Practicable Date to 31 December 2019 for our Group to deploy the abovementioned net proceeds to be raised from the Placing, in accordance with the implementation of our future plans.

	Six months ending						Total
	From the Latest Practicable Date to		31 December		31 December		
	30 June 2017	2017	30 June 2018	2018	30 June 2019	2019	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Purchase of machinery	8.0	–	8.0	–	–	–	16.0
Repayment of overdraft facilities from a bank	9.0	–	–	–	–	–	9.0
Recruiting new staff	2.4	4.4	3.7	1.6	–	–	12.1
Office expansion and refurbishment	1.5	0.7	0.1	–	–	–	2.3
Enhancing our information technology and project management systems	1.2	–	–	–	–	–	1.2
Total	22.1	5.1	11.8	1.6	–	–	40.6

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 June 2017

Purposes	Activities
Recruiting new staff	We will utilise (i) approximately HK\$0.6 million for the salaries of our newly hired engineer and foremen; and (ii) approximately HK\$1.8 million for hiring ten additional tunnel construction workers for our project team.
Office expansion and refurbishment	We will utilise (i) approximately HK\$0.4 million for leasing the newly rented office space; and (ii) approximately HK\$1.1 million for renovation works in relation to the new office space.
Purchase of machinery	We will utilise approximately HK\$8.0 million for the acquisition of machinery including six excavators, seven hydraulic cannons and other miscellaneous parts.
Enhancing our information technology and project management systems	We will utilise approximately HK\$1.2 million for the acquisition and implementation of information technology and project management systems.
Repayment of overdraft facilities from a bank	We will utilise approximately HK\$9.0 million for the repayment of overdraft facilities from a bank.

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 July 2017 to 31 December 2017

Purposes

Recruiting new staff

Activities

We will utilise approximately (i) HK\$3.3 million for the salaries of our newly hired engineer, foremen and tunnel construction workers in prior periods; and (ii) approximately HK\$1.1 million for hiring five additional tunnel construction workers for our project team.

Office expansion and refurbishment

We will utilise approximately HK\$0.7 million for leasing the new office space.

For the period from 1 January 2018 to 30 June 2018

Purposes

Recruiting new staff

Activities

We will utilise approximately HK\$3.7 million for the salaries of our newly hired engineer, and foremen and tunnel construction workers in prior periods.

Purchase of machinery

We will utilise approximately HK\$8.0 million for the acquisition of machinery including six excavators, seven hydraulic cannons and other miscellaneous parts.

Office expansion and refurbishment

We will utilise approximately HK0.1 million for leasing the newly rented office space.

For the period from 1 July 2018 to 31 December 2018

Purposes

Recruiting new staff

Activities

We will utilise approximately HK\$1.6 million for the salaries of our newly hired engineer, and foremen and tunnel construction workers in prior periods.

FUTURE PLANS AND USE OF PROCEEDS

For the period from 1 January 2019 to 30 June 2019

We intend to continue to pursue our business strategies, such as developing our reputation as a quality provider of integrated tunnel construction services and extending into other high-value construction services.

Our Directors shall also assess the results of our business strategies and utilisation of proceeds during the preceding period subsequent to Listing and evaluate our Group's market, operational and financial position and consider its strategies going forward.

For the period from 1 July 2019 to 31 December 2019

We intend to continue to pursue our business strategies, such as developing our reputation as a quality provider of integrated tunnel construction services and extending into other high-value construction services.

Our Directors shall also assess the results of our business strategies and utilisation of proceeds during the preceding period subsequent to Listing and evaluate our Group's market, operational and financial position and consider its strategies going forward.

Basis and assumption

The implementation plan formulated by our Directors is based on the following general assumptions:

- there will be no material change in the business development requirements during the period resulting from changes in the legal, fiscal or economic conditions in Hong Kong;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no material change in the bases or rates of taxation applicable to our activities;
- we are able to maintain our existing customers and expand our customer portfolio as planned;

FUTURE PLANS AND USE OF PROCEEDS

- the Placing will be completed in accordance with the terms as described in the section headed “Structure and conditions of the Placing” of this prospectus;
- there will be no material difference between the actual capital requirements for implementing the above plans and the amounts estimated by us;
- we will be able to retain our key staff in our management team as well as our professional staff;
- we will be able to recruit suitable staff for our expansion when and if necessary;
- we will not be materially affected by any risk factors set out in the section headed “Risk factors” of this prospectus; and
- we will continue our existing operations substantially in the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

Reasons for the Placing and use of proceeds

The Placing will enhance our capital base and provide us with additional working capital to implement future plans as set out under the paragraph headed “Implementation plans” above.

Due to the fact that our business has a relatively high working capital requirement because of the number of workers required to be employed for each project and construction materials required to be purchased from time to time, our Directors believe that the Placing would enhance our Group’s capital structure, which could in turn broaden the debt and equity financing alternatives to facilitate our future business development. In particular, our Group would acquire additional site machinery and recruit more experienced staff to compete for sizeable public tunnel construction projects.

With access to the net proceeds from the Placing, our Group will have sufficient capital to fund both its working capital requirements and capital investments. With such resources and visibility of its machinery requirements for upcoming projects, our Directors believe that it will be expedient to deploy some of the proceeds towards capital investments which will allow our Group to enjoy the benefits of owning its machinery. For further details of the factors our Directors consider when evaluating whether to purchase machinery or enter into finance lease arrangement, please refer to the paragraph headed “Suppliers” in the section headed “Business” of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors are of the view that the listing status of our Group would provide us with a platform to raise equity in the future to facilitate our expansion plan and enhance our corporate image, which in turn would assist in our marketing efforts and provide a competitive edge in the civil engineering construction industry. Our Directors believe that a listing status could attract more potential customers and suppliers who are more willing to establish business relationships with listed companies given the reputation, listing status, public financial disclosures and general regulatory supervision by relevant regulatory bodies associated with being a listed company, in particular for public tunnel construction projects.

Our Directors also believe that our listing status would enable us to better recruit and retain experienced and high caliber staff in an industry where competition for competent staff is intense.

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Pacific Foundation Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering initially 125,000,000 Placing Shares for subscription by way of placing to selected professional, institutional or other investors in Hong Kong at the Placing Price on and subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Listing Department granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue) and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Underwriting Agreement, the Underwriter has agreed to subscribe for or purchase or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for termination

The obligations of the Underwriter to subscribe or procure subscribers for the Placing Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Lead Manager (for itself and on behalf of the Underwriter) shall have the right, in their sole and absolute discretion, to terminate the underwriting arrangements with immediate effect pursuant to the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) 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 in, or any event or series of events resulting or likely to result in or representing 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 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 Renminbi against any foreign currencies) in or

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affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), or any other jurisdiction where any member of our Group is incorporated or operates (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, riot, public disorder, 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), H5N1, H1N1, H7N9)), economic sanctions, in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any 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 Shanghai Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

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- (viii) the commencement by any authority of any action, claim, proceedings or investigation against any Director or an announcement by any authority that it intends to take any such action; or
- (ix) a demand by any tax authority for payment for any tax liability for any member of our Group; or
- (x) 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
- (xi) the chairman or chief executive officer of our Company vacating his office; or
- (xii) a contravention by any member of our Group of the GEM Listing Rules or any applicable laws or regulations in the PRC, the Cayman Islands, Hong Kong and the BVI; or
- (xiii) 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 its 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
- (xiv) 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 prior to its stated maturity; or
- (xv) any loss or damage sustained by our Company or any of our subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

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- (xvi) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenants as defined in the Underwriting Agreement (the “**Covenants**”); or
- (xvii) a prohibition on our Company for whatever reason from allotting the Placing Shares pursuant to the terms of the Placing; or
- (xviii) non-compliance by our Group or our Directors of this prospectus (or any other documents used in connection with the Placing) or any aspect of the Placing with the GEM Listing Rules or any other applicable law or regulation; or
- (xix) other than with the approval of the Sponsor, 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 Placing) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xx) any event which gives rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Underwriting Agreement; or
- (xxi) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk factors” of this prospectus,

and which, individually or in the aggregate, in the sole opinion of the Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriter), (A) has or may have or will have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, earnings, trading position, properties, results of operation, 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 or the level of indication of interest in the Placing; or (C) makes, may make or will or is likely to make it impracticable or inadvisable or inexpedient for the Placing to proceed or to be performed or implemented as envisaged or to market the Placing; or

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- (b) there has come to the notice of the Sponsor and the Sole Lead Manager or the Underwriter after the date of the Underwriting Agreement:
- (i) that any statement contained in the Placing Documents (as defined in the Underwriting Agreement), the formal notice or any announcement in the agreed form issued or used by or on behalf of our Company in connection with the Placing (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 in any material respect 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 and/or in any announcements issued or used by or on behalf of our Company in connection with the Placing (including any supplement or amendment thereto); or
 - (iii) that any of the warranties as set out in the Underwriting Agreement given by our Company or the Covenantors is (or would when repeated be) untrue, inaccurate or misleading or having been breached in any material respect; 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 Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Underwriting Agreement; or
 - (v) that any material breach of any of the obligations or undertakings of any party to the Underwriting Agreement (other than the Sponsor, the Sole Lead Manager or the Underwriter); or
 - (vi) that our Company withdraws this prospectus; or
 - (vii) that approval by the Listing Department of the listing of, and permission to deal in, our Shares to be issued under the Placing 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

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(viii) that BDO Limited as the reporting accountant, Harney Westwood & Riegels as the legal advisers to our Company on Cayman Islands law, or Mr. Valentine Yim has withdrawn its/his respective consent to the issue of this prospectus with the inclusion of its/his reports, letters and/or legal opinions (as the case may be) and references to its/his name included in the form and context in which it respectively appears.

Undertakings

Under Rule 17.29 of the GEM Listing Rules, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue 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 17.29 of the GEM Listing Rules.

We have undertaken to the Sole Lead Manager (for itself and on behalf of the Underwriter) under the Underwriting Agreement that, and our Controlling Shareholders have undertaken to the Sole Lead Manager (for itself and on behalf of the Underwriter) to procure, that except pursuant to the Placing and the Capitalisation Issue, (1) our Company will not without the prior written consent of the Sole Lead Manager (such consent not to be unreasonably withheld or delayed) and unless in compliance with the GEM Listing Rules, at any time after the Listing Date up to and including the date falling 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 our 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 other 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 interest therein) save as pursuant to the share repurchase mandate granted by our Shareholders to our Directors as described in Appendix V to this prospectus, or (ii) enter into any swap or other arrangement that transfers to or is in favour of any third party other than any member of our Group, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto, or (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above, or (iv) agree or contract to, or publicly announce any intention to enter into, any 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 share capital or such 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 Placing (including the allotment and issue of Shares pursuant to the exercise of the options so granted); and (2) in the event of an issue or disposal of

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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 (the “**Second 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.

Under Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders, namely Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang, has undertaken to the Stock Exchange that, except pursuant to the Placing, he/she shall not, and shall procure that the relevant registered holder(s) shall not (i) in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities in respect of which he/she is shown by this prospectus to be the beneficial owners; or (ii) in the period of six months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to be a Controlling Shareholder.

Note of Rule 13.16A(1) of the GEM Listing Rules provides that our Controlling Shareholders are free to purchase additional securities and dispose of securities thus purchased in the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, subject to compliance with the requirements of Rule 11.23 of the GEM Listing Rules to maintain an open market in the securities and a sufficient public float.

Each of our Controlling Shareholders has jointly and severally undertaken to our Company, the Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriter) under the Underwriting Agreement, that he/she will not without the prior written consent of the Sole Lead Manager and unless in compliance with the GEM Listing Rules, (i) at any time during the period commencing from the Listing Date up to and including the date falling 12 months after the date on which dealings in the Shares commence on the Stock Exchange (the “**First Twelve-month 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 for, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect 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 or her 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

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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 such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so, 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 (Cap. 155 of the Laws of Hong Kong) as security for a bona fide commercial loan in accordance with the GEM Listing Rules; (ii) at any time during the 24 months immediately following the First Twelve-month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he or she would cease to be a Controlling Shareholder, 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 (Cap. 155 of the Laws of Hong Kong) as security for a bona fide commercial loan in accordance with the GEM Listing Rules; and (iii) in the event of a disposal by him or her 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, 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.

Each of our Controlling Shareholders has also given undertakings in respect of our Shares to our Company and the Stock Exchange as required by Rule 13.19 of the GEM Listing Rules.

Fees, commission and expenses

Pursuant to the Underwriting Agreement, the Placing Shares are being offered for subscription, subject to the terms and conditions in this prospectus, at the Placing Price of HK\$0.50 to HK\$0.54 per Placing Share. The Underwriter will receive an underwriting commission of 5.0% of the aggregate Placing Price of all Placing Shares, out of which they will pay any sub-underwriting commissions. We may also in our sole discretion pay the Underwriter an additional incentive fee for the Placing Shares offered by our Company under the Placing.

Assuming the Placing Price is HK\$0.52, being the mid-point of the indicative Placing Price range, the total underwriting commission, fees and expenses relating to the Placing and Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately HK\$21.5 million, which will be borne by our Company. The Sponsor will receive a sponsor fee of approximately HK\$4.6 million in relation to the Listing and will be reimbursed for their expenses.

Underwriter's interest in our Company

Save as provided for under the Underwriting Agreement, the Underwriter does not have any shareholding interests in any member of our Group nor has any right or option to subscribe for or nominate persons to subscribe for any Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

THE PLACING

Placing

Our Company is initially offering 125,000,000 Placing Shares for subscription by way of placing to selected professional, institutional or other investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. The Placing Shares will represent 25.0% of our Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. Subject to the terms of the Underwriting Agreement, the Placing is fully underwritten by the Underwriter.

Pursuant to the Placing, it is expected that the Underwriter or selling agents nominated by them will, on behalf of our Company, conditionally place the Placing Shares at the Placing Price plus 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, and with selected professional, institutional or other investors in Hong Kong. Professional, institutional and other investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

Placing Price

The Placing Price will not be more than HK\$0.54 per Placing Share and is expected to be not less than HK\$0.50 per Placing Share. Subscribers, when subscribing for the Placing Shares shall pay on application, the maximum Placing Price of HK\$0.54 per Placing Share plus 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,181.77 for one board lot of 4,000 Placing Shares.

The Placing Price is expected to be fixed by the Price Determination Agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date, which is expected to be on or before 16 February 2017 (or such later date as may be agreed between our Company and the Sole Lead Manager). If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) are unable to reach an agreement on the Placing Price by 17 February 2017 or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter), the Placing will not become unconditional and will not proceed. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE PLACING

If, the Sole Lead Manager (for itself and on behalf of the Underwriter) and with the consent of our Company consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.gmehk.com.

The level of indications of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.gmehk.com on or before 21 February 2017.

Conditions of the Placing

The Placing is conditional upon, among other things:

- (a) the Listing Department granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Lead Manager (for itself and on behalf of the Underwriter) and the Underwriting Agreement not being terminated in accordance with its terms and conditions or otherwise prior to 8:00 a.m. (Hong Kong time) on 22 February 2017). Details of the Underwriting Agreement, its conditions and grounds for termination, are set out in the section headed "Underwriting" of this prospectus, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 15 March 2017, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and Listing Department will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.gmehk.com on the next Business Day following such lapse.

STRUCTURE AND CONDITIONS OF THE PLACING

Basis of allocation

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to purchase further Shares or hold or sell the Shares after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional, and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public shareholder. The stock code for our Shares is 8188.

Save with the prior written consent of the Stock Exchange, no allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on 22 February 2017. The Shares will be traded in board lots of 4,000 Shares each. Our Company will not issue any temporary documents of title.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong.



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14 February 2017

The Directors
GME Group Holdings Limited
Altus Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding GME Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2014 and 2015 and 31 August 2016 and the Company’s statement of financial position as at 31 August 2016, together with the notes thereto (collectively the “Financial Information”), and the comparative combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Group for the eight months ended 31 August 2015 (the “Comparative Financial Information”), prepared on the basis of presentation and preparation set forth in Notes 2(b) and 3 of Section II below, for inclusion in the prospectus of the Company dated 14 February 2017 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 18 January 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as revised) of the Cayman Islands.

Pursuant to the group reorganisation as detailed in the subsection headed “Reorganisation” in the section headed “History and Reorganisation” in the Prospectus (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group.

The Group is principally engaged in the provision of underground construction services. The Company and its subsidiaries have adopted 31 December as their financial year end date. Particulars of the subsidiaries now comprising the Group are set out in Note 1 of Section II below. The Company has not carried on any business since the date of incorporation, saved for the transactions relating to the Reorganisation.

No audited financial statements have been prepared for the Company since its date of incorporation as it is newly incorporated and has not carried on any business, other than the Reorganisation as referred to above. No audited financial statements have been prepared for GME International Limited (“GMEBVI”) since its date of incorporation as there is no statutory requirement to prepare audited financial statements. The audited financial statements of the other company now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in his respective places of incorporation. The details of the statutory auditors of the company are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of presentation and preparation set out in Notes 2(b) and 3 of Section II below and the accounting policies set out in Note 3 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the Directors based on the Underlying Financial Statements on the basis of presentation and preparation set out in Notes 2(b) and 3 of Section II below. No statement of adjustments as defined under Rule 7.18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) is considered necessary.

Respective responsibilities of Directors and reporting accountant in respect of the Financial Information

The Directors are responsible for the contents of the Prospectus including the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2(b) and 3 of Section II below and the accounting policies set out in Note 3 of Section II below, the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the Directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

For the purpose of the Financial Information, our responsibility is to form an independent opinion on the Financial Information based on our procedures performed on the Financial Information and to report our opinion to you.

For the purpose of the Comparative Financial Information, our responsibility is to form a review conclusion on the Comparative Financial Information based on our procedures performed on the Comparative Financial Information and to report our review conclusion to you.

Procedures performed in respect of the Underlying Financial Statements and the Financial Information

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Procedures performed in respect of the Comparative Financial Information

For the purpose of this report, we have also performed a review of the Comparative 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.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSAAs 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 Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation and preparation set out in Notes 2(b) and 3 of Section II below and in accordance with the accounting policies set out in Note 3 of Section II below, gives a true and fair view of the financial position of the Company as at 31 August 2016 and the combined financial position of the Group as at 31 December 2014 and 2015 and 31 August 2016 and of the combined financial performance and combined cash flows of the Group for the Relevant Periods.

Review conclusion in respect of the Comparative Financial Information

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 December		Eight months ended 31 August	
		2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
Revenue		94,193	80,560	51,172	84,794
Cost of services		<u>(78,476)</u>	<u>(54,162)</u>	<u>(37,369)</u>	<u>(63,670)</u>
Gross profit		15,717	26,398	13,803	21,124
Other income		608	794	376	439
Administrative expenses		(6,190)	(8,443)	(5,187)	(13,923)
Equity-settled share-based payment expense	26	(1,201)	–	–	–
Finance costs	6	<u>(385)</u>	<u>(343)</u>	<u>(123)</u>	<u>(341)</u>
Profit before income tax expense	6	8,549	18,406	8,869	7,299
Income tax expense	9	<u>(1,612)</u>	<u>(3,040)</u>	<u>(1,486)</u>	<u>(2,256)</u>
Profit for the year/period		<u>6,937</u>	<u>15,366</u>	<u>7,383</u>	<u>5,043</u>
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translating foreign operation		(2)	(6)	1	–
Release of foreign exchange reserve on disposal of a subsidiary		<u>–</u>	<u>(190)</u>	<u>–</u>	<u>–</u>
Other comprehensive income, net of tax		<u>(2)</u>	<u>(196)</u>	<u>1</u>	<u>–</u>
Profit and total comprehensive income for the year/period attributable to the owners of the Company		<u>6,935</u>	<u>15,170</u>	<u>7,384</u>	<u>5,043</u>

Combined Statements of Financial Position

		As at		As at
		31 December	2015	31 August
		2014	2015	2016
	Notes	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	12	4,026	2,974	5,984
Current assets				
Amounts due from customers for contract work	13	365	274	546
Trade and other receivables	14	21,504	37,160	44,000
Amounts due from related companies	15	3,341	3,838	487
Amounts due from shareholders	15	210	410	–
Cash and cash equivalents	16	265	318	3,822
		25,685	42,000	48,855
Current liabilities				
Trade and other payables	17	8,228	8,003	12,851
Amounts due to directors	15	2,356	1,866	–
Amounts due to customers for contract work	13	4,717	169	–
Amount due to a related company	15	5,913	10,922	–
Bank overdrafts	18	–	–	10,489
Obligations under finance leases	19	12	12	62
Current tax liabilities		959	1,398	3,469
		22,185	22,370	26,871
Net current assets		3,500	19,630	21,984
Total assets less current liabilities		7,526	22,604	27,968
Non-current liabilities				
Obligations under finance leases	19	43	31	167
Deferred tax liabilities	20	405	325	510
		448	356	677
NET ASSETS		7,078	22,248	27,291
EQUITY				
Equity attributable to owners of the Company				
Share capital	21	1,800	1,800	1,800
Reserves	22	5,278	20,448	25,491
TOTAL EQUITY		7,078	22,248	27,291

Statement of Financial Position of the Company

		As at 31 August 2016
	<i>Notes</i>	<i>HK\$'000</i>
Current assets		
Prepayment	14	<u>2,132</u>
		<u>2,132</u>
Current liabilities		
Amount due to a subsidiary	15	<u>9,139</u>
		<u>9,139</u>
Net current liabilities		<u>(7,007)</u>
Total assets less current liabilities		<u>(7,007)</u>
NET LIABILITIES		<u>(7,007)</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	21	–
Reserves	22	<u>(7,007)</u>
TOTAL EQUITY		<u>(7,007)</u>

Combined Statements of Changes in Equity

	Attributable to the owners of the Company (Accumulated)				Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	losses)/retained earnings HK\$'000	
As at 1 January 2014	1,800	-	198	(3,056)	(1,058)
Profit for the year	-	-	-	6,937	6,937
Exchange differences on translating foreign operation	-	-	(2)	-	(2)
Profit and total comprehensive income for the year	-	-	(2)	6,937	6,935
Equity-settled share-based transaction (Note 26)	-	90	-	1,111	1,201
As at 31 December 2014	1,800	90	196	4,992	7,078
Profit for the year	-	-	-	15,366	15,366
Exchange differences on translating foreign operation	-	-	(6)	-	(6)
Release on disposal of a subsidiary (Note 27)	-	-	(190)	-	(190)
Profit and total comprehensive income for the year	-	-	(196)	15,366	15,170
As at 31 December 2015	1,800	90	-	20,358	22,248
Profit and total comprehensive income for the period	-	-	-	5,043	5,043
As at 31 August 2016	<u>1,800</u>	<u>90</u>	<u>-</u>	<u>25,401</u>	<u>27,291</u>
(Unaudited)					
As at 1 January 2015	1,800	90	196	4,992	7,078
Profit for the period	-	-	-	7,383	7,383
Exchange differences on translating foreign operation	-	-	1	-	1
Profit and total comprehensive income for the period	-	-	1	7,383	7,384
As at 31 August 2015	<u>1,800</u>	<u>90</u>	<u>197</u>	<u>12,375</u>	<u>14,462</u>

Combined Statements of Cash Flows

	Year ended 31 December		Eight months ended 31 August	
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(Unaudited)	
Cash flows from operating activities				
Profit before income tax expense	8,549	18,406	8,869	7,299
Adjustments for:				
Depreciation of property, plant and equipment	1,453	1,414	968	1,313
Finance costs	385	343	123	341
Loss on disposal of property, plant and equipment	261	277	287	48
Impairment loss on trade receivables	156	–	–	–
Waiver of an amount due to a related company	(77)	–	–	–
Equity-settled share-based payment expense	1,201	–	–	–
Reversal of provision of long services payment	(137)	–	–	–
Gain on disposal of a subsidiary	–	(2)	–	–
	<u>11,791</u>	<u>20,438</u>	<u>10,247</u>	<u>9,001</u>
(Increase)/decrease in amounts due from customers for contract work	(50)	91	365	(272)
Increase in trade and other receivables	(3,925)	(15,656)	(4,393)	(6,761)
Increase/(decrease) in trade and other payables	4,206	(712)	(3,351)	4,848
Decrease in amounts due to customers for contract work	(4,422)	(4,548)	(3,613)	(169)
(Increase)/decrease in amounts due from a shareholder	–	(200)	(234)	410
	<u>7,600</u>	<u>(587)</u>	<u>(979)</u>	<u>7,057</u>
Cash generated from/(used in) operations				
Income taxes paid	(40)	(2,681)	–	–
	<u>7,560</u>	<u>(3,268)</u>	<u>(979)</u>	<u>7,057</u>
Net cash generated from/(used in) operating activities	<u>7,560</u>	<u>(3,268)</u>	<u>(979)</u>	<u>7,057</u>
Cash flows from investing activities				
Purchases of property, plant and equipment	(5,014)	(1,348)	(219)	(4,319)
Proceeds from sales of property, plant and equipment	<u>284</u>	<u>709</u>	<u>608</u>	<u>83</u>
	<u>(4,730)</u>	<u>(639)</u>	<u>389</u>	<u>(4,236)</u>
Net cash (used in)/generated from investing activities	<u>(4,730)</u>	<u>(639)</u>	<u>389</u>	<u>(4,236)</u>

	Year ended 31 December		Eight months ended 31 August	
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(Unaudited)	
Cash flows from financing activities				
(Decrease)/increase in amounts due to related companies	(1,495)	4,666	2,202	(11,035)
(Increase)/decrease in amounts due from related companies	(19)	(10)	(10)	3,351
Decrease in amounts due to directors	(1,283)	(684)	(730)	(1,866)
Interest paid	–	–	–	(228)
Repayment of obligations under finance leases	(5)	(12)	(8)	(28)
Net cash (used in)/generated from financing activities	<u>(2,802)</u>	<u>3,960</u>	<u>1,454</u>	<u>(9,806)</u>
Net increase/(decrease) in cash and cash equivalents	28	53	864	(6,985)
Cash and cash equivalents at beginning of the year/period	<u>237</u>	<u>265</u>	<u>265</u>	<u>318</u>
Cash and cash equivalents at end of the year/period	<u><u>265</u></u>	<u><u>318</u></u>	<u><u>1,129</u></u>	<u><u>(6,667)</u></u>
Represented by:				
Cash and bank balances	265	318	1,129	3,822
Bank overdrafts	–	–	–	(10,489)
	<u><u>265</u></u>	<u><u>318</u></u>	<u><u>1,129</u></u>	<u><u>(6,667)</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

1. General Information

The Company was incorporated in the Cayman Islands on 18 January 2016, as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office and principal place of business of the Company are located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and Room 1001-2, 10/F., 148 Electric Road, Hong Kong, respectively. The Company is an investment holding company and the Group is principally engaged in the provision of underground construction services (the "Listing Business").

Particulars of the subsidiaries comprising the Group are set out below. The Company has not carried on any business since the date of incorporation, saved for the transactions relating to the Reorganisation.

Name of entity	Place and date of incorporation and form of business structure	Percentage of equity attributable to the Company		Issued and paid-up capital	Principal activities and principal place of business	Notes
		Direct	Indirect			
GMEBVI	The British Virgin Islands (the "BVI"), 23 February 2016, limited liability company	100%		- 1 ordinary share of HK\$1	Investment holding, Hong Kong	
Good Mind Engineering Limited ("GMEHK")	Hong Kong, 22 March 1994, limited liability company	-	100%	1,800,000 ordinary shares of HK\$1,800,000	Provision of underground construction services, Hong Kong	(a), (b)

- (a) The statutory financial statements for the year ended 31 December 2014 were audited by Messers TCL & Company, certified public accountants.

The statutory financial statements for the year ended 31 December 2015 were audited by BDO Limited, certified public accountants.

- (b) Throughout the Relevant Periods, Mr. Chuang Chun Ngok Boris ("Mr. Boris Chuang"), Mr. Chuang Wei Chu ("Mr. Stephen Chuang"), Ms. To Ying Ping ("Mrs. Chuang") and Ms. Chuang Yau Ka ("Ms. Chuang") collectively owned 65%, 80% and 80% of the equity interest of GMEHK for the years ended 31 December 2014 and 2015 and 31 August 2016, respectively.

2. Reorganisation and Basis of Presentation

(a) *Reorganisation*

Prior to the Reorganisation, GMEHK was collectively controlled and owned as to 65% and 35% as at year ended 31 December 2014 and 80% and 20% as at year ended 31 December 2015 and 31 August 2016, respectively, by the controlling shareholders including Mr. Boris Chuang, Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang (together referred to as the “Controlling Shareholders”) and other non-controlling shareholders including Mr. Lo Tak Leung (“Mr. Lo”), Mr. Ng Kwok Lun (“Mr. Ng”) and Mr. Ho Kwun Fung, John (“Mr. John Ho”) during the Relevant Periods. The Controlling Shareholders entered into an acting in concert deed on 21 March 2016 confirming that each of them has been acting in concert throughout the Relevant Periods. Mrs. Chuang is the spouse of Mr. Stephen Chuang; Mr. Boris Chuang and Ms. Chuang are the children of Mr. Stephen Chuang and Mrs. Chuang.

Pursuant to the Reorganisation as detailed in the section headed “History and Reorganisation” to the Prospectus, in preparation for the listing of shares of the Company on the GEM of the Stock Exchange and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 17 October 2016.

(b) *Basis of presentation*

The Reorganisation only involved inserting new holding entities at the top of an existing company and has not resulted in any change of economic substances and does not involve business combination. For the purpose of this report, the Financial Information has been prepared on a combined basis using merger accounting principles as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Upon the completion of the Reorganisation, the Company holds the entire equity interests, directly or indirectly, of companies comprising the Group. The Financial Information of the Group for the Relevant Periods has been prepared using the carrying amount of the financial statements of GMEHK.

The combined statements of comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2014 and 2015 and 31 August 2016 have been prepared to present the state of the affairs of the Group as if the current group structure had been in existence as at the respective dates.

All significant intra-group transactions and balance have been eliminated on combination.

The Financial Information is presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousands except when otherwise indicated.

3. Summary of Significant Accounting Policies

Basis of preparation

The Financial Information set out in this report has been prepared in accordance with the below accounting policies, which conform with HKFRSs (a collective term which includes HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretation) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the GEM Listing Rules throughout the Relevant Periods.

The Financial Information has been prepared under the historical convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 of Section II below.

Application of new and revised HKFRSs

For the purpose of preparing the Financial Information, the Group has adopted all of new and revised HKFRSs consistently throughout the Relevant Periods except for the following new or revised HKFRSs that have been issued, potentially relevant to the Group's operations, but are not yet effective:

Amendments to HKAS 7	Disclosure Initiative ¹
Amendment to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS15	Clarification to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

Except as describe below, the Directors anticipate that the application of the new and revised HKFRSs will not have a material impact on the Group's financial performance and financial position.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The expected credit losses model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking. The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact of the Group's financial assets and financial liabilities. In particular, the new impairment requirements may result in earlier recognition of credit losses of the Group's trade and other receivables.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company preliminarily assess that the application of HKFRS 15 may have a significant impact on the Group's financial performance and financial position, as compared with the current accounting policy as follows:

1. The criteria in HKFRS 15 for identifying performance obligations differ from the little guidance in HKAS 11, which could result in different conclusions about the separately identifiable components. For example, the Group may currently consider an entire construction contract to be a single component, but under HKFRS 15, it may determine that the contract contains two or more performance obligations that would be accounted for separately. This may have a significant effect on the pattern of revenue and profit recognition.
2. It is common for the scope and/or price of the Group's construction contracts to be modified, due to changes in the scope of work or because additional services are added to the contracts. Under HKFRS 15, an entity must determine whether such modification creates a new contract or whether it will be accounted for as part of the existing contract. The determination of a new and separate contract is driven by whether the modification results in the addition of distinct services, priced at their stand-alone settling prices. These new requirements may result in significant changes to the pattern of revenue and profit recognition.

HKFRS 16 – Leases

For lessee accounting, HKFRS 16 introduces a single 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. 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. For 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.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in Note 19 below.

As set out in Note 19 below, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises and land for storing machineries as at 31 August 2016 amounted to approximately HK\$724,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated cash flow statement.

*Significant accounting policies**3.1 Subsidiary*

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms but not exceeding 5 years
Furniture and fixtures	20% per annum
Office equipments	20% per annum
Plant and machinery	30% per annum
Motor vehicles	30% per annum

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the relevant leases.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

3.3 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.4 Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. All of the Group's financial assets are classified as loans and receivables, which are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each of the Relevant Periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. All of the Group's financial liabilities are classified as financial liabilities at amortised cost, which are initially measured at fair value, net of directly attributable costs incurred. They are subsequently measured at amortised cost using the effective interest method. The related interest expense is recognised in profit or loss. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Cash and cash equivalents

Cash and cash equivalents, including cash and bank balances, comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.6 Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of the Relevant Periods.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an 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 progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

3.7 Revenue recognition

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to surveys of work performed.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

3.8 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

3.9 *Employee benefits*

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

3.10 *Impairment of non-financial assets*

At the end of each of the Relevant Periods, the Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.11 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3.12 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.13 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.

3.14 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segment" are the same as those used in its financial statements prepared under HKFRS 8.

3.15 Share-based payments

The Group grants its ordinary shares to selected employees with no vesting periods and conditions. The Group presumed that the employee services rendered have been received at grant date. Shares are granted to the employees as part of their remuneration package, in addition to a cash salary and other employment benefits. Where it is not possible to measure the fair value of the services received for particular components of the employee's remuneration package or the total remuneration package independently, the Group measures the fair value of the employee services received by reference to the fair value of the equity instruments granted. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in profit or loss with a corresponding credit to equity, net of deferred tax where applicable.

4. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The preparation of the Financial Information of the Group requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Relevant Periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the Financial Information was prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contract revenue recognition

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the Relevant Periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment of non-financial assets

The Group assesses at the end of each of the Relevant Periods whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit ("CGU") to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(iii) Impairment of trade and other receivables

Provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(iv) Income taxes

Determining income tax provisions requires the Group to make judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(v) Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each of the Relevant Periods, based on changes in circumstances.

5. Segment Information

Operating segments

During the Relevant Periods, the Group was principally engaged in the provision of underground construction services. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

During the Relevant Periods, the Group's revenue was principally derived from Hong Kong, based on the location of the customers, and all of its non-current assets were located in Hong Kong, based on the location of assets. Therefore, no geographical information is presented.

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:

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Customer A	35,004	12,794	12,794	N/A
Customer B	32,656	27,185	11,325	49,419
Customer C	12,155	17,566	N/A	29,926
Customer D	N/A	11,700	11,700	N/A
Customer E	<u>N/A</u>	<u>N/A</u>	<u>6,505</u>	<u>N/A</u>

N/A Revenue from the customer during the year did not exceed 10% of the Group's revenue

6. Profit Before Income Tax Expense

Profit before income tax expense is arrived at after charging:

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Auditor's remuneration	108	182	120	400
Listing expenses	–	660	135	6,347
Loss on disposal of property, plant and equipment	261	277	287	48
Depreciation	1,453	1,414	968	1,313
Operating lease rentals in respect of:				
– Land and buildings	369	388	300	717
Impairment loss on trade receivables (Note a)	156	–	–	–
Finance costs:				
– Interest on borrowing wholly repayable within five years (Note b)	385	343	123	113
– Interest on bank overdrafts (Note c)	–	–	–	223
Interest on finance leases (Note d)	–	–	–	5
Employee benefit expenses (Note 7)	<u>43,528</u>	<u>37,355</u>	<u>25,426</u>	<u>47,988</u>

Notes:

- (a) Impairment loss on trade receivables was included in “administrative expense” in the combined statements of comprehensive income.
- (b) The interest expense represents loan from a related company, bear interest rate at 5.25% per annum, which is payable on demand (Note 15(h)).
- (c) The bank overdrafts interest expense bears interest rate at Hong Kong Prime Rate per annum (Note 18).
- (d) The finance lease interest expense bears interest rate at 2.95% per annum (Note 19).

7. Employee Benefit Expenses, Including Directors' Remuneration

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Wages, salaries and other benefits	41,019	36,178	24,562	46,549
Pension scheme contribution				
– defined contribution plans	1,308	1,177	864	1,439
Equity-settled share-based payment expense (Note 26)	<u>1,201</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>43,528</u>	<u>37,355</u>	<u>25,426</u>	<u>47,988</u>

8. Directors' Remuneration and Five Highest Paid Individuals

(i) Directors' remuneration

Directors' remuneration for each of the Relevant Periods are as follows:

	Fees	Salaries and benefits	Pension scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2014				
Executive Directors:				
Mr. Stephen Chuang	–	520	–	520
Mr. Boris Chuang	<u>–</u>	<u>780</u>	<u>17</u>	<u>797</u>
	<u>–</u>	<u>1,300</u>	<u>17</u>	<u>1,317</u>
Year ended 31 December 2015				
Executive Directors:				
Mr. Stephen Chuang	–	560	–	560
Mr. Boris Chuang	<u>–</u>	<u>900</u>	<u>18</u>	<u>918</u>
	<u>–</u>	<u>1,460</u>	<u>18</u>	<u>1,478</u>

	Fees <i>HK\$'000</i>	Salaries and benefits <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Eight months ended				
31 August 2016				
Executive Directors:				
Mr. Stephen Chuang	–	480	–	480
Mr. Boris Chuang	–	800	12	812
	<u>–</u>	<u>800</u>	<u>12</u>	<u>812</u>
	<u>–</u>	<u>1,280</u>	<u>12</u>	<u>1,292</u>
 (Unaudited)				
Eight months ended				
31 August 2015				
Executive Directors:				
Mr. Stephen Chuang	–	320	–	320
Mr. Boris Chuang	–	480	12	492
	<u>–</u>	<u>800</u>	<u>12</u>	<u>812</u>

No remuneration was paid or payable to the independent non-executive directors during the Relevant Periods.

During the Relevant Periods, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 2, 2 and 2 Directors for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, respectively, whose emoluments are reflected in the analysis as shown above. The remuneration of the remaining highest paid individuals is as follows:

	Year ended 31 December		Eight months ended 31 August	
	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
			(Unaudited)	
Salaries, allowances and benefits in kind	1,921	2,125	1,608	2,194
Equity-settled share-based payments expense (Note 26)	1,201	–	–	–
Pension scheme contribution – defined contribution plans	<u>50</u>	<u>54</u>	<u>36</u>	<u>24</u>
	<u>3,172</u>	<u>2,179</u>	<u>1,644</u>	<u>2,218</u>

Their remuneration fell within the following bands:

	Year ended 31 December		Eight months ended 31 August	
	2014 Number of employees	2015 Number of employees	2015 Number of employees	2016 Number of employees
			(Unaudited)	
Nil to HK\$1,000,000	2	3	4	3
HK\$1,500,000 to HK\$2,000,000	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the Relevant Periods, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

9. Income Tax Expense

The amount of income tax expense in the combined statements of comprehensive income represents:

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Current tax for the year:				
– Hong Kong profits tax	577	3,120	1,638	2,071
Deferred tax (<i>Note 20</i>)	<u>1,035</u>	<u>(80)</u>	<u>(152)</u>	<u>185</u>
Income tax expense	<u>1,612</u>	<u>3,040</u>	<u>1,486</u>	<u>2,256</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax expense per the combined statements of comprehensive income as follows:

	Year ended		Eight months ended	
	31 December		31 August	
	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit before income tax expense	<u>8,549</u>	<u>18,406</u>	<u>8,869</u>	<u>7,299</u>
Tax calculated at the applicable statutory tax rate of 16.5%	1,410	3,037	1,463	1,204
Tax effect of non-deductible expenses	202	5	23	1,049
Others	<u>–</u>	<u>(2)</u>	<u>–</u>	<u>3</u>
Income tax expense	<u>1,612</u>	<u>3,040</u>	<u>1,486</u>	<u>2,256</u>

10. Dividend

No dividend has been paid or declared by the Company since its date of incorporation, or by any of the companies now comprising the Group during the Relevant Periods.

11. Earnings Per Share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as described in Note 2 above.

12. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipments HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
As at 1 January 2014	121	91	351	1,390	1,193	3,146
Additions	–	1	74	4,562	437	5,074
Disposals	–	–	–	(554)	(115)	(669)
At 31 December 2014	121	92	425	5,398	1,515	7,551
Additions	–	4	58	1,088	198	1,348
Disposals	–	–	–	(1,276)	(254)	(1,530)
At 31 December 2015	121	96	483	5,210	1,459	7,369
Additions	–	–	54	4,099	380	4,533
Disposals	–	–	–	–	(316)	(316)
At 31 August 2016	<u>121</u>	<u>96</u>	<u>537</u>	<u>9,309</u>	<u>1,523</u>	<u>11,586</u>
Aggregate depreciation						
As at 1 January 2014	121	83	278	721	993	2,196
Charge for the year	–	5	28	1,238	182	1,453
Written back	–	–	–	(52)	(72)	(124)
At 31 December 2014	121	88	306	1,907	1,103	3,525
Charge for the year	–	5	36	1,201	172	1,414
Written back	–	–	–	(388)	(156)	(544)
At 31 December 2015	121	93	342	2,720	1,119	4,395
Charge for the period	–	–	32	1,203	78	1,313
Written back	–	–	–	–	(106)	(106)
At 31 August 2016	<u>121</u>	<u>93</u>	<u>374</u>	<u>3,923</u>	<u>1,091</u>	<u>5,602</u>
Net carrying amount						
At 31 December 2014	<u>–</u>	<u>4</u>	<u>119</u>	<u>3,491</u>	<u>412</u>	<u>4,026</u>
At 31 December 2015	<u>–</u>	<u>3</u>	<u>141</u>	<u>2,490</u>	<u>340</u>	<u>2,974</u>
At 31 August 2016	<u>–</u>	<u>3</u>	<u>163</u>	<u>5,386</u>	<u>432</u>	<u>5,984</u>

The carrying amount of the Group's office equipments and motor vehicles includes an amount of approximately HK\$56,000, HK\$44,000 and HK\$248,000 for the year ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, respectively, in respect of assets acquired under finance lease.

13. Amounts due from/(to) Customers for Contract Work

	As at 31 December		As at 31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of reporting periods:			
Contract costs incurred	158,778	157,681	180,708
Recognised profits less recognised losses	<u>28,136</u>	<u>33,130</u>	<u>43,820</u>
	186,914	190,811	224,528
Less: progress billings	<u>(191,266)</u>	<u>(190,706)</u>	<u>(223,982)</u>
	<u>(4,352)</u>	<u>105</u>	<u>546</u>
Amounts due from customers for contract work	365	274	546
Amounts due to customers for contract work	<u>(4,717)</u>	<u>(169)</u>	<u>–</u>
	<u>(4,352)</u>	<u>105</u>	<u>546</u>

As at 31 December 2014 and 2015 and 31 August 2016, retentions held by customers for contract work included in trade and other receivables (Note 14) amounted to HK\$8,103,000, HK\$11,279,000 and HK\$14,920,000 respectively.

14. Trade and Other Receivables

	The Group		The Company	
	As at		As at	
	31 December	31 August	31 August	31 August
	2014	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (Note (a))	12,832	25,217	24,143	–
Retention receivables (Note (b))	8,103	11,279	14,920	–
Prepayments and deposits (Note (c))	<u>569</u>	<u>664</u>	<u>4,937</u>	<u>2,132</u>
	<u>21,504</u>	<u>37,160</u>	<u>44,000</u>	<u>2,132</u>

Notes:

- (a) Trade receivables are mainly derived from provision of underground construction services and non-interest bearing. The Group does not hold any collateral or other credit enhancements over these balances. The credit period granted by the Group to its customers is generally 21 to 60 days.

The following is an analysis of trade receivables by age, net off the impairment loss, presented based on the invoice dates:

	As at		As at
	31 December		31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Less than 1 month	12,780	24,907	23,428
1 to 3 months	–	81	153
More than 3 months but less than 12 months	27	204	537
More than 1 year	<u>25</u>	<u>25</u>	<u>25</u>
	<u>12,832</u>	<u>25,217</u>	<u>24,143</u>

An ageing analysis of the Group's trade receivables that were past due but not impaired is as follows:

	As at		As at
	31 December		31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	12,780	24,922	23,848
Less than 1 month past due	–	66	–
1 to 3 months past due	–	104	–
More than 3 months past due but less than 1 year past due	27	100	270
More than 1 year past due	<u>25</u>	<u>25</u>	<u>25</u>
	<u>12,832</u>	<u>25,217</u>	<u>24,143</u>

The below table reconciled the provision for impairment loss of trade receivables during the Relevant Periods:

	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	94	250	250
Impairment loss recognised	<u>156</u>	<u>–</u>	<u>–</u>
At 31 December/31 August	<u>250</u>	<u>250</u>	<u>250</u>

- (b) Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.
- (c) Prepayments and deposits as at 31 December 2014 and 2015 and 31 August 2016 were neither past due nor impaired. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no recent history of default.

15. Amounts due from/(to) Directors, Related Companies, Shareholders and a Subsidiary

The Group

Particulars of amounts due from related companies and shareholders are disclosed as follows:

	Balance at 1 January 2014 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 December 2014 HK\$'000
Related companies			
GME International Trading Company Limited (<i>Note a</i>)	3,166	3,170	3,170
Toprate Associates Limited (<i>Note b</i>)	145	160	160
Excel Steel Pty Ltd (<i>Note c</i>)	11	11	11
Shareholders			
Mrs. Chuang (<i>Note d</i>)	60	60	60
Ms. Chuang (<i>Note e</i>)	60	60	60
Mr. Lo (<i>Note f</i>)	60	60	60
Mr. Ng (<i>Note f</i>)	–	30	30
	<u> </u>	<u> </u>	<u> </u>
	Balance at 1 January 2015 HK\$'000	Maximum amount outstanding during the year HK\$'000	Balance at 31 December 2015 HK\$'000
Related companies			
GME International Trading Company Limited (<i>Note a</i>)	3,170	3,175	3,175
Toprate Associates Limited (<i>Note b</i>)	160	165	165
Excel Steel Pty Ltd (<i>Note c</i>)	11	11	11
Ming Kee Property Development Limited ("Ming Kee") (<i>Note g</i>)	–	487	487
Shareholders			
Mrs. Chuang (<i>Note d</i>)	60	60	60
Ms. Chuang (<i>Note e</i>)	60	60	60
Mr. Lo (<i>Note f</i>)	60	60	60
Mr. Ng (<i>Note f</i>)	30	230	230
	<u> </u>	<u> </u>	<u> </u>

	Balance at 1 January 2016 HK\$'000	Maximum amount outstanding during the period HK\$'000	Balance at 31 August 2016 HK\$'000
Related companies			
GME International Trading Company Limited (<i>Note a</i>)	3,175	3,175	–
Toprate Associates Limited (<i>Note b</i>)	165	165	–
Excel Steel Pty Ltd (<i>Note c</i>)	11	11	–
Ming Kee Property Development Limited ("Ming Kee") (<i>Note g</i>)	487	487	487
Shareholders			
Mrs. Chuang (<i>Note d</i>)	60	60	–
Ms. Chuang (<i>Note e</i>)	60	60	–
Mr. Lo (<i>Note f</i>)	60	60	–
Mr. Ng (<i>Note f</i>)	230	230	–
	<u>230</u>	<u>230</u>	<u>–</u>

An analysis of the amounts due to Directors and a related company is as follows:

	As at		As at
	31 December		31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors			
Mr. Boris Chuang	269	185	–
Mr. Stephen Chuang	<u>2,087</u>	<u>1,681</u>	<u>–</u>
	<u>2,356</u>	<u>1,866</u>	<u>–</u>
Related company			
GME International Company Limited (Note h)	<u>5,913</u>	<u>10,922</u>	<u>–</u>

Notes:

- (a) Mr. Boris Chuang, Mr. Stephen Chuang and Mr. Ng, being the directors and shareholders of GME International Trading Company Limited (Mr. Ng had resigned from his position as a director on 11 November 2016), are the shareholders of the Company. Mr. Boris Chuang and Mr. Stephen Chuang are also the directors of the Company.
- (b) Mr. Boris Chuang and Ms. Chuang, being the beneficial owners of Toprate Associates Limited, are the shareholders of the Company. Mr. Boris Chuang is also a director of the Company.
- (c) Mr. Ng, being a director and a shareholder of Excel Steel Pty Ltd, is a shareholder of the Company and director of GMEHK. Mr. Ng resigned as director of GMEHK on 11 April 2016.
- (d) Mrs. Chuang is the spouse of Mr. Stephen Chuang, a director and a shareholder of the Company.
- (e) Ms. Chuang is the daughter of Mr. Stephen Chuang and the sibling of Mr. Boris Chuang. Mr. Stephen Chuang and Mr. Boris Chuang are the directors and shareholders of the Company.
- (f) Mr. Lo and Mr. Ng being the directors of GMEHK, a wholly-owned subsidiary of the Company, are also the shareholders of the Company. Mr. Lo and Mr. Ng resigned as directors of GMEHK on 18 March 2016 and 11 April 2016, respectively.
- (g) Mr. Ng, being a director and shareholder of Ming Kee, is a shareholder of the Company and director of GMEHK. Mr. Ng resigned as director of GMEHK on 11 April 2016.
- (h) Mr. Boris Chuang, Mrs. Chuang and Mr. Ng, being the directors and shareholders of GME International Company Limited (Mr. Ng had resigned from his position as a director on 11 November 2016), are the shareholders of the Company. Mr. Boris Chuang is also a director of the Company. The amounts represent loan from a related company as at year ended 31 December 2014 and 2015 bear interest at 5.25% per annum. The loan is free of security during the Relevant Periods and is fully repaid on 1 April 2016.
- (i) The amounts due from related companies, shareholders and the balances with the Directors are unsecured, interest-free and repayable on demand.

The Company

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

16. Cash and Cash Equivalents

Cash and cash equivalents of the Group represent cash at banks and in hand.

17. Trade and Other Payables

	As at		As at
	31 December		31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)	3,847	2,618	3,319
Other payables and accruals (<i>Note (b)</i>)	<u>4,381</u>	<u>5,385</u>	<u>9,532</u>
	<u><u>8,228</u></u>	<u><u>8,003</u></u>	<u><u>12,851</u></u>

Notes:

- (a) An ageing analysis of trade payables as at the end of each of the Relevant Periods, based on the invoice dates, is as follows:

	As at		As at
	31 December		31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current or less than 1 month	2,386	1,795	2,134
1 to 3 months	1,178	747	1,102
More than 3 months but less than one year	273	66	3
More than one year	<u>10</u>	<u>10</u>	<u>80</u>
	<u><u>3,847</u></u>	<u><u>2,618</u></u>	<u><u>3,319</u></u>

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 30 days.

- (b) Other payables are non-interest bearing and have average payment terms of one to three months.

18. Bank Overdrafts

The bank overdrafts were repayable on demand and bear interest rate at Hong Kong Prime Rate per annum as at 31 August 2016, which are secured by the personal guarantee from Mr. Boris Chuang, Mrs. Chuang and Mr. Stephen Chuang and the properties owned by Mr. Stephen Chuang and Mr. Boris Chuang. The Directors have agreed with the bank in principle that the above securities will be released and replaced by corporate guarantees to be issued by the Company.

19. Leases

(a) Finance leases

The Group leases office equipments and motor vehicles for business use. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount. The lease obligations are secured by the underlying leased assets.

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2014			
Not later than one year	12	–	12
Later than one year and not later than two years	12	–	12
Later than two years and not later than five years	<u>31</u>	<u>–</u>	<u>31</u>
	<u>55</u>	<u>–</u>	<u>55</u>
As at 31 December 2015			
Not later than one year	12	–	12
Later than one year and not later than two years	12	–	12
Later than two years and not later than five years	<u>19</u>	<u>–</u>	<u>19</u>
	<u>43</u>	<u>–</u>	<u>43</u>
As at 31 August 2016			
Not later than one year	62	10	72
Later than one year and not later than two years	65	7	72
Later than two years and not later than five years	<u>102</u>	<u>4</u>	<u>106</u>
	<u>229</u>	<u>21</u>	<u>250</u>

The present value of future lease payments are analysed as:

	As at		As at
	31 December		31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Current liabilities	12	12	62
Non-current liabilities	<u>43</u>	<u>31</u>	<u>167</u>
	<u>55</u>	<u>43</u>	<u>229</u>

Note:

Pursuant to the finance lease agreement of the Group's office equipments, no interest was charged within the lease period.

(b) Operating leases – lessee

The Group leased its office and land for storing machineries under operating leases. The leases run for an initial period of one to two years. None of these leases include any contingent rentals.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at		As at
	31 December		31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Not later than one year	221	575	604
Later than one year and not later than five years	<u>–</u>	<u>360</u>	<u>120</u>
	<u>221</u>	<u>935</u>	<u>724</u>

20. Deferred Tax

Details of the deferred tax liabilities and assets recognised and movements during the Relevant Periods are as follows:

	Accelerated depreciation allowances <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	80	(710)	(630)
Charged to profit or loss for the year (Note 9)	<u>325</u>	<u>710</u>	<u>1,035</u>
At 31 December 2014 and 1 January 2015	405	–	405
Credited to profit for the year (Note 9)	<u>(80)</u>	<u>–</u>	<u>(80)</u>
At 31 December 2015	325	–	325
Charged to profit for the period (Note 9)	<u>185</u>	<u>–</u>	<u>185</u>
At 31 August 2016	<u><u>510</u></u>	<u><u>–</u></u>	<u><u>510</u></u>
	As at 31 December 2014 <i>HK\$'000</i>	As at 31 December 2015 <i>HK\$'000</i>	As at 31 August 2016 <i>HK\$'000</i>
Deferred tax assets	–	–	–
Deferred tax liabilities	<u>405</u>	<u>325</u>	<u>510</u>
	<u><u>405</u></u>	<u><u>325</u></u>	<u><u>510</u></u>

21. Share Capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 January 2016. As at the date of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, one fully paid share was issued and allotted to the initial subscriber. Further details of the Company's share capital are set out in the sub-paragraph headed "Changes in our share capital" of the Company in Appendix V to the Prospectus.

For the purpose of this report, the share capital of the Group as at 31 December 2014 and 2015 and 31 August 2016 represented the combined share capital of the entities now comprising the Group at the end of each of the Relevant Periods.

22. Reserves

The amounts of the Group's reserves and the movements therein for each of the Relevant Periods are presented in the combined statements of changes in equity of this report.

Movements in the Company's accumulated loss during the Relevant Periods are as follows:

	<i>HK\$'000</i>
At 18 January 2016 (date of incorporation)	–
Loss for the period	<u>7,007</u>
At 31 August 2016	<u><u>7,007</u></u>

23. Major Non-cash Transactions

The Group entered into finance lease agreements in respect of purchase of property, plant and equipment with a capital value at the inception of the leases of HK\$59,700, nil and HK\$214,000 during the year ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, respectively.

24. Contingent Liabilities

At the end of each reporting period, GMEHK provided corporate guarantee to a bank in respect of banking facilities granted to a related company, GME International Company Limited.

	As at		As at
	31 December		31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate guarantee			
– Overdrafts	13,000	13,000	12,000
– Other facilities	<u>10,000</u>	<u>10,000</u>	<u>–</u>
	<u><u>23,000</u></u>	<u><u>23,000</u></u>	<u><u>12,000</u></u>

The Directors represent that the guarantee will be released upon listing.

In the opinion of Directors, the fair value of the corporate guarantee contract is insignificant at inception and at the end of Relevant Periods, and no provision for financial guarantee contract has been made at the end of each reporting periods.

25. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods:

	Notes	Year ended 31 December		Eight months ended 31 August	
		2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
GME International					
Company Limited (a), (f)					
Purchase of fixed assets		2,599	–	–	170
Purchase of materials		908	147	132	–
Loan interest expenses		385	343	123	113
Advance Composite Limited (d)					
Wavier of an amount due to a related company		77	–	–	–
Toprate Associates Limited (b)					
Design fee expense		450	–	–	–
Dragon Castle					
Holding Limited (c)					
Service fee expense		<u>450</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- (a) Mr. Boris Chuang, Mrs. Chuang, and Mr. Ng, being the directors and shareholders of GME International Company Limited (Mr. Ng had resigned from his position as a director on 11 November 2016), are the shareholders of the Company. Mr. Boris Chuang is also a director of the Company.
- (b) Mr. Boris Chuang and Ms. Chuang, being the beneficial owners of Toprate Associates Limited, are the shareholders of the Company. Mr. Boris Chuang is also a director of the Company.
- (c) Dragon Castle Holding Limited is owned by the spouse of Mr. Ng, a shareholder of the Company and director of GMEHK, who is also the sole director of Dragon Castle Holding Limited. Mr. Ng resigned as director of GMEHK on 11 April 2016.
- (d) Mr. Boris Chuang and Mr. Ng, being the shareholders of the Company, are also the shareholders and directors of Advance Composite Limited. Advance Composite Limited was dissolved on 22 May 2015.
- (e) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Company.
- (f) The loan interest expenses paid to GME International Company Limited at 5.25% per annum for the year ended 31 December 2014 and 2015 and the eight months ended 31 August 2016. The interest rate was determined by reference to the bank interest rate of GME International Company Limited's banking facilities for the corresponding periods (Note 24).

Key management personnel compensation

The key management personnel of the Group are the Directors. Details of the remuneration paid to them during the Relevant Periods are set out in Note 8 to the Financial Information.

26. Equity-settled Share-based Payment Expense

On 11 December 2014, Mrs. Chuang transferred 90,000 shares of GMEHK (the “Awarded Shares”), representing 5% of the entire equity interest of GMEHK, as a reward to an employee at nil consideration.

The fair value of Awarded Shares at grant date was based on market approach and relied on the Guideline Publicity Traded Company method to estimate the value of the GMEHK, which was valued by an independent firm of professionally qualified valuer. In this method, the fair value is based on prices at which stocks or share interests of similar companies are trading in a public market relative to financial fundamental(s) or economic variable(s) that affect the value. No expected dividends were incorporated into the measurement of fair value.

The equity-settled share-based payment expense of HK\$1,201,000 was recognised for the year ended 31 December 2014.

27. Disposal of a Subsidiary

On 11 September 2015, GMEHK entered into an agreement (the “Transfer Agreement”) to transfer its entire equity interest in Good Mind Engineering Ltd. (駿傑(上海)建築工程諮詢有限公司)(“GME Shanghai”), a wholly-owned subsidiary incorporated in the PRC, to an independent third party (the “Purchaser”). GME Shanghai was engaged in the provision of construction consultancy services in the PRC and had ceased all business operations since 2012. The disposal was completed on 27 October 2015, the date on which the control of the GME Shanghai passed to the Purchaser.

Based on the Transfer Agreement and the supplemental agreement to the Transfer Agreement entered into between the Group and the Purchaser dated 18 April 2016, the consideration for the transfer has been mutually agreed to be nil.

The net assets of GME Shanghai at the date of transfer and the gain of disposal were as follows:

	2015
	<i>HK\$'000</i>
Amount due from a director and net assets of	
GME Shanghai disposed of	188
Release of foreign exchange reserve	(190)
Gain on disposal of GME Shanghai	<u>2</u>
 Total consideration	 <u><u>–</u></u>
 Satisfied by cash:	
Consideration	 <u><u>–</u></u>
 Net cash inflow arising on disposal	
Cash consideration	 <u><u>–</u></u>

28. Financial Risk Management

The Group's principal financial assets are trade and other receivables, amounts due from shareholders, amounts due from related companies, and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade and other payables, bank overdrafts, obligations under finance leases and amounts due to Directors and related companies. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Relevant Periods. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and retention receivables) and from amounts due from shareholders, amounts due from related companies and deposits with banks.

The Group has a significant concentration of credit risk as 100%, 98% and 91% of its trade and retention receivables were derived from five largest customers as at 31 December 2014 and 2015 and 31 August 2016, respectively. The Group's trade and retention receivables were due from the Group's largest customer and the five largest customers as at 31 December 2014 and 2015 and 31 August 2016. Details are as follows:

	As at		As at
	31 December		31 August
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Largest customer	6,456	15,460	21,521
Five largest customers	<u>20,910</u>	<u>35,792</u>	<u>35,417</u>

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 14.

The Group's customers are reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken on overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Relevant Periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

(b) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of bank overdrafts, trade and other payables, loan from a related company, amounts due to directors and obligations under finance leases. In respect of its cash flow and liquidity management, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserves of cash in the short and long term. The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risk.

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table is drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest is charged at floating rate, the undiscounted amount is derived from interest rate at the end of the Relevant Periods.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Within one year or on demand <i>HK\$'000</i>	More than one year but less than five years <i>HK\$'000</i>
At 31 December 2014				
Trade and other payables	8,228	8,228	8,228	–
Amount due to a related company	5,913	6,223	6,223	–
Amounts due to directors	2,356	2,356	2,356	–
Obligations under finance leases	<u>55</u>	<u>55</u>	<u>12</u>	<u>43</u>
	<u>16,552</u>	<u>16,862</u>	<u>16,819</u>	<u>43</u>
At 31 December 2015				
Trade and other payables	8,003	8,003	8,003	–
Amount due to a related company	10,922	11,495	11,495	–
Amounts due to directors	1,866	1,866	1,866	–
Obligations under finance leases	<u>43</u>	<u>43</u>	<u>12</u>	<u>31</u>
	<u>20,834</u>	<u>21,407</u>	<u>21,376</u>	<u>31</u>
As at 31 August 2016				
Bank overdrafts	10,489	11,040	11,040	–
Trade and other payables	12,851	12,851	12,851	–
Obligations under finance leases	<u>229</u>	<u>250</u>	<u>72</u>	<u>178</u>
	<u>23,569</u>	<u>24,141</u>	<u>23,963</u>	<u>178</u>

(c) Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, loan from a related company and bank overdrafts. Interests charged on the Group's loan from a related company and bank overdrafts are at variable rates which are linked up to the relevant bank interest rate. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank balances, bank overdrafts and loan from a related company. The analysis is prepared assuming that the amounts of assets and liabilities outstanding at the end of each of the Relevant Periods were outstanding for the whole year. 50 basis points and 100 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of bank balances, bank overdrafts and amount due to a related company, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the Relevant Periods do not reflect the exposures during the Relevant Periods.

If interest rates on bank balances at the end of each of the Relevant Periods had been 50 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 are as follows:

	Year ended		Eight
	31 December		months
	2014	2015	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	31 August
			2016
			<i>HK\$'000</i>
Increase/(decrease) in profit for the year/period			
– as a result of increase in interest rate	1	2	13
– as a result of decrease in interest rate	<u>(1)</u>	<u>(2)</u>	<u>(13)</u>

If interest rates on loan from a related company and bank overdrafts at the end of each of the Relevant Periods had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016 is as follows:

	Year ended		Eight months
	31 December		ended
	2014	2015	31 August
	HK\$'000	HK\$'000	2016
			HK\$'000
Increase/(decrease) in profit for the year/period			
– as a result of increase in interest rate	59	109	70
– as a result of decrease in interest rate	<u>(59)</u>	<u>(109)</u>	<u>(70)</u>

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No changes in the objectives, policies or processes were made during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debts divided by total capital plus net debts. Total debts are the total of other payables, bank overdraft amounts due to directors and related companies and obligations under finance leases. Capital represents equity attributable to owners of the Company.

	As at		As at
	31 December		31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Total debts	12,705	18,216	20,250
Equity attributable to the owners of the Company	<u>7,078</u>	<u>22,248</u>	<u>27,291</u>
Gearing ratio	<u>180%</u>	<u>82%</u>	<u>74%</u>

29. Summary of Financial Assets and Financial Liabilities by Category

The Group

	As at 31 December		As at 31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>25,228</u>	<u>41,399</u>	<u>45,510</u>
Financial liabilities			
Financial liabilities measured at amortised cost	<u>16,552</u>	<u>20,834</u>	<u>23,569</u>

The Company

	As at 31 December		As at 31 August
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities			
Financial liabilities measured at amortised cost	<u>–</u>	<u>–</u>	<u>9,139</u>

30. Capital Commitments

As at 31 December 2014 and 2015 and 31 August 2016, the Group did not have any capital commitment.

31. Litigations

As at 31 December 2014 and 2015 and 31 August 2016, there were a number of labour claims lodged against the Group arising from the ordinary course of its civil engineering construction business. No specific claim amount has been specified in the applications of these claims. In the opinion of the Directors, the outflow of resources required in settling these claims if any, are usually covered by insurance maintained by relevant main contractor. Therefore, the ultimate liability under these claims would not have a material adverse impact on the financial position or performance of the Group.

The Group is one of the co-defendants in a contractual dispute arising in 2011. Based on the advice from the Group's legal counsel, the contractual dispute has been settled on 8 April 2016. Details are set out in the sub-paragraph of "Contractual dispute" under the section headed "Business" of the Prospectus. The related cost on the above contractual dispute is HK\$487,000 based on the best estimate of the Directors and legal adviser of GMEHK and Ming Kee, the co-defendant on the contractual dispute. The Group has recognised such costs in the statement of comprehensive income for the year ended 31 December 2015.

The Group has received a written undertaking from Ming Kee on the contractual dispute. Under the written undertaking, Ming Kee has undertaken to settle all costs in relation to the above contractual dispute raised to GMEHK. Accordingly, the Group has recognised a reimbursement of HK\$487,000 in the statement of comprehensive income for the year ended 31 December 2015.

The Controlling Shareholders have entered into a deed of indemnity on 10 February 2017 whereby they have agreed, subjected to the terms and conditions of the deed of indemnity, to indemnify the Group, among other matters, all losses and liabilities arising from any litigations against the Group.

32. Directors' Remuneration

Save as disclosed in Note 8(i) of Section II above, no other remuneration has been paid or is payable in respect of the Relevant Periods to the Directors.

Under the arrangement currently in force, the aggregate amount of remuneration of the Directors, except for any performance bonus, paid or payable for the year ended 31 December 2016 is estimated to be approximately HK\$2.1 million.

33. Subsequent Events

Subsequent to 31 August 2016 and up to the date of this report, the following significant events have taken place:

- (a) On 17 October 2016, the entities now comprising the Group underwent a group reorganisation to rationalise the Group's structure in preparation of the listing of shares of the Company on the GEM of the Stock Exchange. 1,799 shares of HK\$0.01 each of the Company were issued as consideration for the acquisition of the entire issued share capital of GMEHK by GMEBVI.

- (b) On 10 February 2017, written resolutions were passed to effect the transactions as set out in the sub-paragraph headed "Written resolutions of our Shareholders passed on 10 February 2017 in Appendix V to the Prospectus, which is disclosed as follows:

The authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares.

Save as disclosed above, there are no other significant events which have taken place subsequent to 31 August 2016.

34. Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2016.

Yours faithfully

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate Number P05443
25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant’s Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial information” in this prospectus and the accountant’s report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide prospective investors with further illustrative financial information about how the Placing might have affected the combined net tangible assets of the Group attributable to the owners of the Company after the completion of the Placing as if the Placing had taken place on 31 August 2016.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Placing been completed on 31 August 2016 or at any future dates.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 August 2016 HK\$’000 (Note 1)	Estimated net proceeds from the Placing HK\$’000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company HK\$’000	Unaudited pro forma adjusted combined net tangible assets per Share HK\$ (Note 3)
Based on the Placing				
Price of HK\$0.50 per Share	<u>27,291</u>	<u>48,132</u>	<u>75,423</u>	<u>0.15</u>
Based on the Placing				
Price of HK\$0.54 per Share	<u>27,291</u>	<u>52,882</u>	<u>80,173</u>	<u>0.16</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 August 2016 is extracted from the accountant's report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Placing of 125,000,000 new Shares are based on the Placing Price of lower limit and upper limit of HK\$0.50 and HK\$0.54 per Placing Share, respectively, after deduction of the underwriting fees and related expenses payable and borne by the Company which have not been reflected in combined net tangible assets of the Group as at 31 August 2016.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 500,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, without taking into account of any Share which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2016.

**(B) INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the Group’s unaudited pro forma financial information.



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香港干諾道中111號
永安中心25樓

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF GME GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of GME Group Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 August 2016 and the related notes as set out on pages II-1 to II-2 of Appendix II of the Company’s prospectus dated 14 February 2017 (the “Prospectus”) in connection with the proposed placing of the shares of the Company (the “Proposed Placing”). 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 Placing on the Group’s combined financial position as at 31 August 2016 as if the Proposed Placing had taken place at 31 August 2016. As part of this process, information about the Group’s combined financial position has been extracted by the Directors from the Group’s financial information for the eight months ended 31 August 2016, on which an accountant’s 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 Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circular" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by Rule 7.31(7) of the GEM 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information, in accordance with Rule 7.31 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The purpose of unaudited pro forma financial information included in 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 Proposed Placing at 31 August 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate Number P05443

25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong, 14 February 2017

The estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 December 2016 is set out in the paragraph headed “Profit estimate for the year ended 31 December 2016” in the section headed “Financial information” of this prospectus.

A. BASES

The Directors have prepared the estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 December 2016 based on the audited combined results of the Group for the eight months ended 31 August 2016, the unaudited consolidated results shown in the management accounts of the Group for the three months ended 30 November 2016 and an estimate of the consolidated results of the Group for the month ended 31 December 2016.

The estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as summarised in the accountant’s report, the text of which is set out in Appendix I to this prospectus.

B. LETTERS**(1) Letter from our reporting accountant**

The following is the text of letter, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2016.



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永安中心25樓

14 February 2017

The Board of Directors
GME Group Holdings Limited
Altus Capital Limited

Dear Sirs,

GME GROUP HOLDINGS LIMITED (the “Company”)

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2016

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2016 (the “Profit Estimate”) set forth in the section headed “Financial information – Profit estimate for the year ended 31 December 2016” in the prospectus of the Company dated 14 February 2017 (the “Prospectus”).

Directors’ Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited combined results of the Company and its subsidiaries (collectively referred to as the “Group”) for the eight months ended 31 August 2016, the unaudited consolidated results based on the management accounts of the Group for the three months ended 30 November 2016 and an estimate of the consolidated results of the Group for the month ended 31 December 2016.

The Company’s directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 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 Accountant’s Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant’s report dated 14 February 2017, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully

BDO Limited
Certified Public Accountants
Hong Kong

(2) Letter from the Sponsor

The following is the text of letter, prepared for inclusion in this prospectus by the Sponsor, in connection with the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2016.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

14 February 2017

To the Board of Directors

GME Group Holdings Limited
Room 1001-2, 10/F
148 Electric Road
Hong Kong

Dear Sirs,

We refer to the estimated profit attributable to owners of GME Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2016 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated 14 February 2017 (the “**Prospectus**”).

The Profit Estimate, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by them based on the audited combined results of the Group for the eight months ended 31 August 2016, the unaudited consolidated management accounts of the Group for the three months ended 30 November 2016, and an estimate of the consolidated results of the Group for the month ended 31 December 2016.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 14 February 2017 addressed to you and ourselves from BDO Limited regarding the accounting policies and calculations upon which the Profit Estimate has been based. On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by BDO Limited, we are of the opinion that the Profit Estimate has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and the Articles and of certain aspects of the Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 January 2016 under the Companies Law. The Memorandum and the Articles of comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount from time to time unpaid on the Shares respectively held by them, that the objects for which the Company is established are unrestricted (including acting as an investment holding company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law. In view of the fact that the Company is an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter the provisions of its Memorandum.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 10 February 2017. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Articles and to any special rights conferred on the holders of any shares or class of shares, any Share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine), provided always that where the Company issues shares which do not carry voting rights, the words **non-voting** shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words **restricted voting** or **limited voting**. Subject to the Companies Law, the GEM Listing Rules and the Articles, any Share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law, the Articles, any direction that may be given by the Company in general meeting and, where applicable, the GEM Listing Rules 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 shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as the Board may in its absolute discretion think fit, but no Shares may be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others 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, 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.

(ii) Power to dispose of the assets of the Company or any subsidiary of the Company

There is no specific provision in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

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(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of any loan or quasi-loan, or give any guarantee or provide any security in connection with a loan or quasi-loan made by any person, to (i) a Director; (ii) a body corporate controlled by a Director; (iii) an entity connected with a Director; (iv) a director of any holding company of the Company; (v) a body corporate controlled by a director of any holding company of the Company; (vi) an entity connected with a director of any holding company of the Company; and (vii) a close associate of a Director.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

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Subject to the Companies Law and the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall 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 has a material interest, but this prohibition shall not apply to any of the following matters, namely:

- (A) the giving of any security or indemnity either:
 - (1) to a Director or any of his close associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
or
 - (2) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which a Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by giving of security;
- (B) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where a Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (C) any proposal concerning any other company in which a Director or any of his close associates is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which a Director or any of his close associates is/are beneficially interested in shares of that company, provided that such Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;
- (D) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (1) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which a Director or any of his close associates may benefit; or
 - (2) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (E) any contract or arrangement in which a Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

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(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally. Any Director holding office for part only of the period in respect of which such remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending meetings of the Board, committees of the Board or general meetings or separate meetings of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine. 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 subsidiaries of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys 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 under the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class of such persons.

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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 referred to 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.

(vii) Retirement, appointment and removal

At each annual general meeting, one-third ($\frac{1}{3}$) of the Directors for the time being (or if their number is not a multiple of three (3), then the number nearest to but not less than one-third ($\frac{1}{3}$)) will retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three (3) years. The Directors to retire in every year will be those who wish to retire and not to offer themselves for re-election. Any further Directors to retire will be those who have been longest in office since their last re-election or appointment, but as between Directors who became or were last re-elected Directors on the same day, the Directors to retire will (unless they otherwise agree among themselves) be determined by lot. There is no provision relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time 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 by the Board shall, subject to sub-paragraphs (A) to (F) below, hold office only until the next following general meeting of the Company; any Director appointed as an addition to the Board by the Board shall, subject to sub-paragraphs (A) to (F) below, hold office only until the next following annual general meeting of the Company. In each case such Director shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any Shares by way of qualification.

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A Director may be removed by an ordinary resolution passed at any general meeting of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place at such general meeting. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). There is no maximum number of Directors.

The office of a Director shall be vacated:

- (A) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company or tendered at a meeting of the Board;
- (B) if he becomes of unsound mind or dies;
- (C) if, without special leave, he is absent from meetings of the Board (unless an alternate Director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (D) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (E) if he is prohibited by law from being a Director; or
- (F) if he ceases to be a Director by law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director or deputy managing director, or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may at any time 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 it 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 shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may be imposed on it by the Board.

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(viii) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

(ix) 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 such meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(b) Alterations to the Articles

The Articles may be rescinded, altered or amended by the Company by special resolution.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum (subject nevertheless to the Companies Law), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;

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- (v) cancel any shares which, as at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares without par value, diminish the number of shares into which its capital is divided;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and
- (viii) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.

Subject to the Companies Law, the Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, 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 ($\frac{3}{4}$) in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting, the provisions of the Articles relating to general meetings will mutatis mutandis apply, provided that the necessary quorum (other than at an adjourned meeting) shall be two (2) persons holding or representing by proxy not less than one-third ($\frac{1}{3}$) in nominal value of the issued shares of that class and at any adjourned meeting two (2) holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every Shareholder of the class shall be entitled on a poll to one vote for every such Share held by him, and any Shareholder of the class present in person or by proxy may demand a poll.

The 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, modified or abrogated by the creation or issue of further Shares ranking *pari passu* therewith.

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(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths ($\frac{3}{4}$) of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of such members being corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having the right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of such members being corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll, every member who is 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, provided 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. On a poll, 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 on 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.

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Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (i) at least three (3) members present in person (in the case of a member being a corporation, by its duly authorised representative or proxy for the time being entitled to vote at the meeting); or (ii) any member or members present in person (in the case of a member being a corporation, by its duly authorised representative or proxy) and representing not less than one-tenth ($\frac{1}{10}$) of the total voting rights of all the members having the right to vote at the meeting; or (iii) a member or members present in person (in the case of a member being a corporation, by its duly authorised representative or proxy) and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth ($\frac{1}{10}$) of the total sum paid up on all the shares conferring that right.

If a clearing house (or its nominee(s)) is a member of the Company, it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative 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 clearing house (or its nominee(s)) as if such person were the registered holder of the shares held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any Shareholder is, under the GEM Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting, other than the year of adoption of the Articles, in addition to any other meeting in that year and shall specify the meeting as such in the notices calling it; and not more than fifteen (15) months shall elapse (or such longer period as the Stock Exchange may authorise) between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such time and place as may be determined by the Board.

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(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company and the matters in respect of which such receipt and expenditure take place, and the properties, assets, credits and liabilities of the Company, and all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the GEM Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the Directors' report instead, provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the Company in general meeting. The generally accepted auditing standards referred to may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

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(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' (and, in the case of an annual general meeting, not less than 20 clear business days') notice, and any other extraordinary general meeting may be called by at least fourteen (14) clear days' (and not less than 10 clear business days') notice. The notice shall specify the time and place of the meeting and particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members of the Company (other than to such members who are, under the provisions of the Articles or the terms of issue of the Shares they hold, not entitled to receive such notices from the Company), to all persons entitled to a Share in consequence of the death or bankruptcy or winding-up of a member, and to the Directors and the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares having that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (i) the declaration and sanctioning of dividends;
- (ii) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (iii) the election of Directors whether by rotation or otherwise in place of those retiring;

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- (iv) the appointment of auditors and other officers;
- (v) the fixing of the remuneration of the Directors and the auditors;
- (vi) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (vii) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(j) Transfer of Shares

Subject to the Articles, 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 or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers. 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 thereof.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no Shares on the principal register shall be transferred to any branch register and no Shares on any branch register shall be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of Shares on a branch register, at the relevant registration office or, in the case of Shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

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The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any Share (not being a fully paid up Share) to a person of whom it does not approve or any Share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any Share to more than four (4) joint holders or any transfer of any Share (not being a fully paid up Share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, and the instrument of transfer (i) is in respect of only one class of Share; (ii) is lodged at the relevant registered office or such other place at which the 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); and (iii) if applicable, is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice in accordance with the requirements of the GEM Listing Rules, at such times and for such periods as the Board may determine provided that such registration shall not be suspended or the register shall not be closed for more than 30 days in any year (or such longer period as the Shareholders may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange, and/or the rules of any competent regulatory authority.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of Shares by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

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The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. 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 (save that declaration of final dividends shall be subject to sanction of an ordinary resolution).

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid, but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share; and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either (i) 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 (ii) that Shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the Shareholders may be paid by cheque or warrant by post and 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 in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two (2) 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.

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Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six (6) years after having been declared may be forfeited and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two (2) or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as 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.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, 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 the Company may pay interest at such rate (if any) as the Board may decide.

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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 remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours on every business day 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 registration office, unless the register is closed in accordance with the Articles.

(q) 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.

Save as otherwise provided by the Articles, the quorum for a general meeting shall be two (2) 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 (2) persons holding or representing by proxy not less than one-third ($\frac{1}{3}$) in nominal value of the issued shares of that class.

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A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the 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 under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class of Shares, (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively; and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the capital paid up at the commencement of the winding up, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of properties of one or more kinds and the liquidator may, for such purpose, set such value as he deems fair upon any property to be divided 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, provided that no member shall be compelled to accept any Shares or other property in respect of which there is a liability.

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(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the Shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the Shares in question (being not less than three (3) in total number) for any sum payable in cash to such Shareholder have remained uncashed for a period of twelve (12) years; (ii) upon the expiry of the twelve (12) year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the GEM Listing Rules giving notice of its intention to sell such Shares and a period of three (3) months, or such shorter period as may be permitted by the Stock Exchange, has elapsed since the date of such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for Shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a Share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a Share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the **share premium account**. At the option of a company, the aforesaid may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (i) paying distributions or dividends to members; (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (iii) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (iv) writing off the preliminary expenses of the company; and (v) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the **Court**), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

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Under section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (i) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (ii) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (iii) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there is no statutory provision relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

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(f) Protection of minorities

The Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (i) an act which is ultra vires or illegal; (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and (iii) 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 ($\frac{1}{5}$) of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may present a petition to the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There is no exchange control regulation or currency restriction in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (ii) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty (20) years from 16 February 2016.

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 is no other tax likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaty.

(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.

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(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch register at such locations, whether within or outside of the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by ordinary resolution or by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business 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.

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For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreement or right of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before this final meeting the liquidator must send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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(o) Mergers and consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies, For these purposes, (i) **merger** means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company; and (ii) **consolidation** means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (i) a special resolution of each constituent company; and (ii) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

(p) Compulsory acquisition

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.

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(q) 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

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of the Cayman Islands Companies 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.

1. FURTHER INFORMATION ABOUT OUR COMPANY**(i) Incorporation**

We were incorporated on 18 January 2016 in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law. We have established a principal place of business in Hong Kong at Room 1001-2, 10/F, 148 Electric Road, Hong Kong and registered on 15 March 2016 with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Boris Chuang has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum of Association and Articles of Association are subject to the laws of the Cayman Islands. A summary of certain provisions of our constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix IV to this prospectus.

(ii) Changes in our share capital

- (a) On the date of our incorporation on 18 January 2016, our authorised share capital was HK\$380,000 divided into 38,000,000 Shares, each of HK\$0.01 par value. On the same day, one Share was allotted and issued to a subscriber and such Share was transferred to Mr. Boris Chuang. Immediately upon completion of the above issue of Share, our Company had an issued share capital of HK\$0.01 of one Share.
- (b) On 17 October 2016, Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho as vendors transferred all of their shares in GMEHK to GMEBVI in consideration of which our Company, being the holding company of GMEBVI and the legal and beneficial owner of the entire issued share capital of GMEBVI, issued and allotted, credited as fully paid, 540, 539, 180, 180, 180, 90 and 90 Shares to Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho respectively, the details of which are set out in the paragraph headed “Reorganisation – Transfer of GMEHK to GMEBVI” under the section headed “History and Reorganisation” of this prospectus. Upon completion of the above allotment and issue of Shares, our Company had an issued share capital of HK\$18 divided into 1,800 Shares.
- (c) Pursuant to the resolutions in writing of our Shareholders passed on 10 February 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 new Shares.

As at the Latest Practicable Date, our Company had an authorised share capital of HK\$380,000, divided into 38,000,000 Shares, and an issued share capital of HK\$18, divided into 1,800 Shares, all fully paid or credited as fully paid.

(iii) Share capital after the Placing and the Capitalisation Issue

Immediately following the completion of the Capitalisation Issue and the Placing, the issued share capital of our Company will be HK\$5,000,000 divided into 500,000,000 Shares, all fully paid or credited as fully paid, and 1,500,000,000 Shares will remain unissued.

Other than the exercise of the general mandate to issue Shares referred to in the paragraph headed “1. Further information about our Company – (iv) Written resolutions of our Shareholders passed on 10 February 2017” in this Appendix to this prospectus, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed “History and Reorganisation” of this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

(iv) Written resolutions of our Shareholders passed on 10 February 2017

Pursuant to the resolutions in writing passed by our Shareholders on 10 February 2017:

- (i) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 new Shares of HK\$0.01 each, and such additional Shares to rank *pari passu* in all respects with the existing Shares;
- (ii) our Company approved and adopted the amended and restated Memorandum and Articles of Association to take effect on the Listing Date;
- (iii) conditional on the conditions as set out in the section headed “Structure and conditions of the Placing” of this prospectus being fulfilled or waived:
 - (a) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares; and

- (b) following the increase in the authorised share capital of our Company as set out in (i) above and conditional upon the share premium account of our Company being credited as a result of the issue of the Placing Shares by our Company under the Placing, our Directors were authorised to allot and issue a total of 374,998,200 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at the close of business on 10 February 2017 (or another date as our Directors may direct) by way of capitalisation of the sum of HK\$3,749,982 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 all Shares in issue.
- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal in Shares not exceeding the aggregate of 20% of the total number of shares of our Company in issue immediately following completion of the Placing and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable laws or the Articles of Association, or it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest;
- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are 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 of our Company in issue immediately following completion of the Placing and the Capitalisation Issue, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable laws or the Articles of Association, or it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest; and
- (vi) the general mandate mentioned in paragraph (iv) above be extended by the addition to the aggregate number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the number of shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above; provided that such

extended amount shall not exceed 10% of the total number of shares of the Company in issue immediately following completion of the Placing and the Capitalisation Issue.

2. OUR PRINCIPAL SUBSIDIARIES

The particulars of our principal subsidiaries are provided in the accountant's report, the text of which is set out in Appendix I to this prospectus.

3. CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

Save as disclosed in the paragraph headed "Reorganisation" under the section headed "History and Reorganisation" of this prospectus, there has been no alterations in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by our Company of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

A. Relevant legal and regulatory requirements

The GEM Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by our Shareholders on 10 February 2017, 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 Shares 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 of our Company in issue immediately following completion of the Placing and the Capitalisation Issue, such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company; or (ii) the expiration of the period within which the next annual general meeting of our Company is required to

be held by any applicable laws or the Articles of Association, or (iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest (the “**Relevant Period**”).

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association of our Company, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company’s funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase. Any amount of premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of the funds of our Company which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company’s share premium account.

(iii) Trading restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The GEM Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Suspension of repurchase

Pursuant to the GEM Listing Rules, a listed company may not make any repurchases of Shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required by the GEM Listing Rules); and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(v) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to our Company on the Stock Exchange.

B. Reasons for repurchases

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

C. Funding of repurchases

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing position which, in the opinion of our Directors, are from time to time appropriate for our Company.

D. General

Exercise in full of the current repurchase mandate, on the basis of 500,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, could accordingly result in up to 50,000,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules) have any present intention to sell any Shares to us or our subsidiaries.

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 GEM Listing Rules, our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, 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 (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate immediately after the listing of the Shares on the Stock Exchange.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agrees to waive the GEM Listing Rules requirements regarding the public float referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the GEM Listing Rules.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

No repurchase of Shares has been made by our Company since its incorporation.

5. CORPORATE REORGANISATION

For details of the major steps of the Reorganisation effected in preparation for the listing of our Company on the Stock Exchange, please refer to the paragraph headed “Reorganisation” under the section headed “History and Reorganisation” of this prospectus.

6. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (i) an equity transfer agreement 《股權轉讓協議》 dated 11 September 2015 entered into between GMEHK as the transferor and 王婷 (Wang Ting) as the transferee, pursuant to which GMEHK agreed to transfer all the equity interest in GME Shanghai to 王婷 (Wang Ting) at a consideration of HK\$1,200,000;
- (ii) a deed of assignment dated 31 March 2016 (“**Deed of Assignment**”) entered into among GMEHK, GMT and GMI regarding the assignment to GMI of all of the debt of HK\$3,174,593.12 owing from GMT to GMEHK and all rights, interests, benefits and title therein at a consideration of HK\$3,174,593.12 which shall be settled by GMI by offsetting the same amount from the debt owed by GMEHK to GMI as at the date of the Deed of Assignment;

- (iii) a supplemental agreement to the equity transfer agreement 《股權轉讓協議之補充協議》 dated 18 April 2016 entered into between GMEHK and 王婷 (Wang Ting), pursuant to which the parties thereto agreed to amend the consideration set out in the equity transfer agreement 《股權轉讓協議》 mentioned in (i) above to nil consideration;
- (iv) a sale and purchase agreement dated 17 October 2016 entered into, amongst Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho (together, the “**Vendors**”), our Company and GMEBVI, pursuant to which the Vendors agreed to transfer 1,800,000 shares in GMEHK to GMEBVI in consideration for the allotment and issue of 540, 539, 180, 180, 180, 90 and 90 Shares by our Company to Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang, Ms. Chuang, Mr. Ng, Mr. Lo and Mr. Ho respectively;
- (v) the Deed of Indemnity;
- (vi) the Deed of Non-Competition; and
- (vii) the Underwriting Agreement.

B. Our intellectual property rights

Domain names

As of the Latest Practicable Date, members of our Group has registered the following domain name which is material to our business:

Domain name	Commencement date	Expiry date
www.gmehk.com	7 March 2002	6 March 2017

Information contained in the above website does not form part of this prospectus. Save as disclosed above, there are no other intellectual property rights which are material in relation to the business of our Company.

7. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of interests

(i) *Interests of Directors and the chief executive of our Company*

Immediately following the completion of the Placing and the Capitalisation Issue, the interests or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Name of corporation	Nature of interest and capacity	Number of Shares held	Approximate percentage of issued Shares
Mr. Stephen Chuang ^(Note 1)	Our Company	Beneficial owner, interest held jointly with another person and interest of a spouse	300,000,000	60.0%
Mr. Boris Chuang ^(Note 2)	Our Company	Beneficial owner and interest held jointly with another person	300,000,000	60.0%

Notes:

1. Mr. Stephen Chuang (i) personally holds 112,500,000 Shares (representing 22.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); (ii) is the spouse of Mrs. Chuang and is deemed to be interested in the Shares personally interested by Mrs. Chuang; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner. Mr. Stephen Chuang is therefore deemed to be interested in the Shares held by Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

2. Mr. Boris Chuang (i) personally holds 112,500,000 Shares (representing 22.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any shareholders' meeting of our Company in a unanimous manner. Mr. Boris Chuang is therefore deemed to be interested in the Shares held by Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

(ii) Interests of substantial shareholders

So far as is known to any Director or chief executive of our Company, immediately following completion of the Placing and the Capitalisation Issue, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which must be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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 our Company:

Name of Shareholder	Nature of interest and capacity	Number of Shares held	Approximate percentage of issued Shares
Mrs. Chuang ^(Note 1)	Beneficial owner, interest held jointly with another person and interest of a spouse	300,000,000	60.0%
Ms. Chuang ^(Note 2)	Beneficial owner and interest held jointly with another person	300,000,000	60.0%
Mr. Ng	Beneficial owner	37,500,000	7.5%

Notes:

- Mrs. Chuang (i) personally holds 37,500,000 Shares (representing 7.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); (ii) is the spouse of Mr. Stephen Chuang and is deemed to be interested in the Shares which are deemed to be interested by Mr. Stephen Chuang under the SFO; and (iii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Boris Chuang, Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any Shareholders' meeting of our Company in a unanimous manner. Mrs. Chuang is therefore deemed to be interested in the Shares held by Mr. Stephen Chuang, Mr. Boris Chuang and Ms. Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.
- Ms. Chuang (i) personally holds 37,500,000 Shares (representing 7.5% of the total issued Shares after completion of the Placing and the Capitalisation Issue); and (ii) is a party to the Acting in Concert Deed pursuant to which each of Mr. Boris Chuang, Mr. Stephen Chuang, Mrs. Chuang and Ms. Chuang has agreed to consolidate their respective interests in our Company and to vote on any resolution to be passed at any Shareholders' meeting of our Company in a unanimous manner. Ms. Chuang is therefore deemed to be interested in the Shares held by Mr. Stephen Chuang, Mrs. Chuang and Mr. Boris Chuang respectively under the SFO. Each of Mr. Stephen Chuang, Mr. Boris Chuang, Mrs. Chuang and Ms. Chuang is deemed to be interested in all the Shares held by them in aggregated by virtue of the SFO.

As at the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other persons were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

B. Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company for a fixed term of three years commencing from the Listing Date which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee of HK\$240,000 per annum. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

C. Directors' remuneration

Each of our executive Directors and independent non-executive Directors is entitled to a salary or director's fee (as the case may be) and shall be paid a remuneration on the basis of a twelve-month year.

The aggregate remuneration (including fees, salaries and benefits, and pension scheme contributions) paid to our Directors for the two years ended 31 December 2015 and the eight months ended 31 August 2016 were approximately HK\$1.3 million, HK\$1.5 million and HK\$1.3 million, respectively.

There was no arrangement under which a Director has waived or agreed to waive any remuneration in each of the two years ended 31 December 2015 and the eight months ended 31 August 2016.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors, former Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or received by, our Directors, former Directors or the five highest paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the two years ended 31 December 2015 and the eight months ended 31 August 2016 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration paid or payable to, and benefits in kind receivable by (including discretionary bonus), our Directors for the year ended 31 December 2016 and the year ending 31 December 2017 to be approximately HK\$2.1 million and HK\$13.1 million, respectively.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed “7. Further information about our Directors and substantial shareholders – B. Directors’ service contracts” in this Appendix to this prospectus.

D. Agency fees or commission received

Save as disclosed in this prospectus, no commissions, discounts, agency fees, brokerages or other special terms have been granted in connection with the issue or sale of any of our capital of any member of our Group within the two years preceding the date of this prospectus.

E. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required 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 he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and 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 is, 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;
- (c) none of our Directors nor any of the persons listed in the paragraph headed “8. Other information – F. Qualification of experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group taken as a whole;
- (e) save in connection with the Underwriting Agreement, none of the persons listed in the paragraph headed “8. Other information – F. Qualification of experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreement, none of the persons listed in the paragraph headed “8. Other information – F. Qualification of experts” below 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
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors or their respective close associates (as defined under the GEM Listing Rules) or any Shareholder (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of our five largest suppliers or customers.

8. OTHER INFORMATION**A. Litigation**

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Litigation and potential claims” under the section headed “Business” of this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on its business, financial condition or results of operations.

B. Sponsor

Altus Capital has made an application on behalf of our Company to the Listing Department for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor’s fees payable by us in respect of the Sponsor’s services as sponsor for the Listing are approximately HK\$4.6 million.

C. No material adverse change

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2016 (being the date to which the latest audited consolidated financial statements of our Group were reported in the accountant’s report included in Appendix I to this prospectus).

D. Tax and other indemnities**(i) Tax on dividends**

No tax is payable in Hong Kong in respect of dividends paid by us.

(ii) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Notwithstanding any provision of the Income Tax Act, Cap. 206 of the BVI, (a) our Company; (b) all dividends, interest, rents, royalties, compensations and other amounts paid by our Company; and (c) capital gains realised with respect to any shares, debt obligations or other securities of our Company, are exempt from all provisions of the Income Tax Act, Cap. 206 of the BVI.

(iii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares provided that our Company does not hold any interest in land in the Cayman Islands.

No stamp duties or similar documentary taxes imposed by or in the BVI are payable by our Company and our Company will not be required by any laws of the BVI to make any deduction or withholding from any payment it may make.

(iv) *Estate duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would likely fall upon any member of our Group.

The BVI currently levies no estate, inheritance, succession or gift tax with respect to any shares, debt obligations or other securities of our Company.

(v) *Deed of Indemnity*

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed “6. Further information about our business – A. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, amongst other matters, the following:

- (a) taxation falling on any members of our Group resulting from any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made);
- (b) all claims, payments, suits, damages, settlement payments, associated costs and expenses (including legal costs) and losses and liabilities incurred or suffered directly or indirectly, from or on the basis of or in connection with any investigation, assessment, litigation, arbitration and/or legal proceedings against any members of our Group, in relation to any act, non-performance, omission or otherwise in connection with any non-compliance, violation or breach of any member of our Group of any applicable laws, rules and regulations; and
- (c) all amounts incurred resulting from the Reorganisation and the disposal of any subsidiary of any member of our Group by any such Group member,

provided that the same had occurred at any time on or before the Listing Date.

(vi) Consultation with professional advisers

Potential investors in the Placing are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sponsor, the Underwriter, any of their respective directors, or any other person or party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares or exercise of any rights attaching to them.

E. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder Shares, management Shares, deferred Shares or debentures;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (v) no commission has been paid or payable (except commissions to the Underwriter) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group;
- (b) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (c) Our Company has no outstanding convertible debt securities or debentures;
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (e) Our Directors have been advised that, under the Cayman Islands Companies Law, the use of a Chinese name by our Company does not contravene the Cayman Islands Companies Law;
- (f) There is no arrangement under which future dividends are waived or agreed to be waived;
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (h) Our principal register of members will be maintained by our principal registrar, Harneys Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.

F. Qualification of experts

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

Name	Qualifications
Altus Capital	Licensed under the SFO for Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Harney Westwood & Riegels	Cayman Islands attorneys-at-law
Mr. Valentine Yim	Hong Kong barrister-at-law

G. Consents of experts

Each of Altus Capital, BDO Limited, Harney Westwood & Riegels and Mr. Valentine Yim has given and has not withdrawn its/his consent to the issue of this prospectus with the inclusion of its/his report and/or letter and/or legal opinion (as the case may be) and references to its/his name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

H. Promoter

Our Company has no promoter for purposes of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Placing and the related transactions described in this prospectus.

I. Preliminary expenses

The estimated preliminary expenses relating to the incorporation of our Company are approximately HK\$65,000 and are payable by our Company.

J. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

K. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in the paragraph headed “6. Further information about our business – A. Summary of material contracts” in Appendix V to this prospectus; and
- (b) the written consents referred to in the paragraph headed “8. Other information – G. Consents of experts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Howse Williams Bowers at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the accountant’s report of our Group prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising our Group for each of the two years ended 31 December 2015;
- (d) the report prepared by BDO Limited relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit estimate issued by BDO Limited and the Sponsor respectively, the text of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Harney Westwood & Riegels, legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands Companies Law referred to in the section headed “Summary of the constitution of our Company and Cayman Islands Companies Law” in Appendix IV to this prospectus;
- (g) the legal opinions issued by Mr. Valentine Yim, a barrister-at-law in Hong Kong and our Company’s Hong Kong special legal counsel, in respect of certain statements referred to in this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF
 COMPANIES AND AVAILABLE FOR INSPECTION**

- (h) the Cayman Islands Companies Law;
- (i) the material contracts referred to in the paragraph headed “6. Further information about our business – A. Summary of material contracts” in Appendix V to this prospectus;
- (j) the service contracts and letters of appointment with each of our Directors referred to in the paragraph headed “7. Further information about our Directors and substantial shareholders – B. Directors’ service contracts” in Appendix V to this prospectus; and
- (k) the written consents referred to in the paragraph headed “8. Other information – G. Consents of experts” in Appendix V to this prospectus.

