

Superland Group Holdings Limited 德合集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 368

SHARE OFFER

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners
and Joint Lead Managers



Joint Bookrunner
and Joint Lead Manager



Joint Lead Managers



IMPORTANT

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

Superland Group Holdings Limited

德合集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares : 200,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 20,000,000 Shares (subject to reallocation)
Number of International Placing Shares : 180,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price : Not more than HK\$0.69 per Offer Share and expected to be not less than HK\$0.63 per Offer 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 in Hong Kong dollars and subject to refund on final pricing)
Nominal value : HK\$0.01 each
Stock code : 368

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunner and Joint Lead Manager



Joint Lead Managers



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

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

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date, which is expected to be on or around Friday, 10 July 2020 or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Offer Price will be not more than HK\$0.69 and is currently expected to be not less than HK\$0.63, unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by the Price Determination Date, the Share Offer will not proceed and will lapse. Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 17 July 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 17 July 2020.

Applicants for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$0.69 for each Offer Share, together with a 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK\$0.69 as finally determined. The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our website at www.superland-group.com and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Please refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Hong Kong Offer Shares" in this prospectus for further details.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus. It is important that you refer to that paragraph for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

30 June 2020

EXPECTED TIMETABLE

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.superland-group.com.

2020^(Note 1)

Hong Kong Public Offer commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Tuesday, 30 June
Latest time for completing electronic applications under HK eIPO White Form service through one of the below ways ^(Note 2) :	
(1) the IPO App , which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk / IPOApp or www.tricorglobal.com / IPOApp	11:30 a.m. on Monday, 6 July
(2) the designated website www.hkeipo.hk	11:30 a.m. on Monday, 6 July
Application lists of the Hong Kong Public Offer open at ^(Note 3)	11:45 a.m. on Monday, 6 July
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Monday, 6 July
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 6 July
Latest time for giving electronic application instructions to HKSCC ^(Note 4)	12:00 noon on Monday, 6 July
Application lists close ^(Note 3)	12:00 noon on Monday, 6 July
Expected Price Determination Date on or around ^(Note 5)	Friday, 10 July
Announcement of the final Offer Price, the level of indication of interest in the International Placing, the level of applications of the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at www.hkexnews.hk ; and on the website of our Company at www.superland-group.com on or before	Thursday, 16 July

EXPECTED TIMETABLE

2020^(Note 1)

- Results of allocations in the Hong Kong Public Offer
(with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at **www.hkxnews.hk** and the website of our Company at **www.superland-group.com** as described in the paragraph headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" in this prospectus from^(Note 11) Thursday, 16 July
- Results of allocations in the Hong Kong Public Offer will be available in the **IPO APP** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function from^(Note 11) Thursday, 16 July
- Despatch/Collection of share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before^(Notes 8 & 10 & 11) Thursday, 16 July
- Despatch of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before^(Notes 9 to 11) Thursday, 16 July
- Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on^(Note 11) Friday, 17 July

The Price Determination Date is expected to be on or about Friday, 10 July 2020, or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us may agree. The time period between the closing of application lists and the Price Determination Date is longer than the normal market practice. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 17 July 2020.

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated.
2. You will not be permitted to submit your application through the **IPO APP** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO APP** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

3. If there is a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by a super typhoon or a “black” rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 July 2020, the application lists will not open or close on that day. Please refer to the paragraph headed “How to apply for the Hong Kong Offer Shares — 10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus.
4. Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the paragraph headed “How to apply for the Hong Kong Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Friday, 10 July 2020, or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us may agree. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by the Price Determination Date, the Share Offer will not proceed and will lapse.
6. The announcement will be available for viewing on the “Main Board — Results of Allotment” page on the Stock Exchange’s website at www.hkexnews.hk.
7. Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
8. Share certificates will only become valid at 8:00 a.m. on Friday, 17 July 2020 provided that the Share Offer has become unconditional in all respects and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Share Offer will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.
9. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
10. Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or share certificates in person from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 16 July 2020 or such other date as notified by our Company on our website. Applicants being individuals who are eligible for personal collection must not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply for the Hong Kong Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus for details. Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Auto Refund payment instructions. Applicants who have applied

EXPECTED TIMETABLE

through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

11. In case a typhoon cyclone warning signal number 8 or above or "extreme conditions" caused by a super typhoon or a "black" rainstorm warning signal in force in any days between Hong Kong public offer open day to Listing Date, then the day of (i) Announcement of results of allocations in the Hong Kong Public Offer; (ii) Dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; (iii) Dealings in the Shares on the Stock Exchange will be postponed according to the number of business days affected by the bad weather and/or extreme conditions.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Hong Kong Offer Shares" in this prospectus for details of the structure and conditions of the Share Offer, including the conditions of the Share Offer and the procedures for application for the Hong Kong Offer Shares.

We will publish an announcement in the event that there is any change in the expected timetable of the Hong Kong Public Offer as described above.

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IMPORTANT NOTICE TO INVESTORS

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

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

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before deciding to invest in the Offer Shares.

OVERVIEW

We are an established contractor based in Hong Kong with over 15 years of operating history providing fitting-out services and repair and maintenance services with the qualifications as a registered electrical contractor, registered sub-contractor and registered minor works contractor in Hong Kong.

We experienced strong demand for our services during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had completed 20 fitting-out projects with an aggregate total contract sum amounting to approximately HK\$1,093.5 million. For the years ended 31 December 2017, 2018 and 2019, our revenue was approximately HK\$552.7 million, HK\$768.1 million and HK\$879.4 million, respectively. According to the Frost & Sullivan Report, we ranked third among fitting-out contractors in Hong Kong market with a market share of approximately 1.2% in 2018 in terms of revenue.

Our fitting-out services mainly cover ceiling, flooring, wall, lighting, glass, metal, wood, stone and plastering works conducted on new buildings and property projects. We also source and install doors, furniture and accessories tailor-made according to the specifications of our customers as part of our fitting-out services. Our repair and maintenance services mainly cover upgrade, restoration and improvement, and repair, replacement or installation of interior decorative parts conducted on existing premises. The following table sets forth the breakdown of our revenue by business segment during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fitting-out services	546,296	98.8	759,587	98.9	874,477	99.4
Repair and maintenance services	6,356	1.2	8,558	1.1	4,924	0.6
Total	552,652	100.0	768,145	100.0	879,401	100.0

During the Track Record Period, we focused on providing fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong on a project-by-project basis. The following table sets forth the breakdown of our revenue by property type during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	436,470	79.0	449,108	58.5	567,283	64.5
Commercial ^(Note)	116,182	21.0	319,037	41.5	312,118	35.5
Total	552,652	100.0	768,145	100.0	879,401	100.0

Note: The category “commercial” mainly includes retail shops, offices, shopping arcades, commercial clubhouses, hotels and service apartments.

We take pride in our systematic approach in management and operation. Our management system was accredited with ISO 9001:2015 as at the Latest Practicable Date. We have formulated an objective quality control system that consists of various checklists and policies derived from the past experience

SUMMARY

and know-how of our management to be implemented by our employees. We ensure that our on-site project team consists of our direct labour to carry out part of the works to demonstrate the standard required for the sub-contractors to adopt for the remaining works. We also maintain a comprehensive information database which enables us to manage costs and profit margins effectively and to provide insights and refinements on customer's proposals.

The following table sets out the movement in the outstanding contract value of fitting-out projects during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			From 1 January 2020 to the Latest Practicable Date
	2017	2018	2019	HK\$'000 (unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Opening contract value brought forward from last year	906,056	743,473	613,257	801,573
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	565,538 340,518	550,726 192,747	426,302 186,955	311,037 490,536
Aggregate contract sum of new projects and variation orders of existing projects <i>(Note 1)</i>	383,713	629,371	1,062,793	362,637
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	279,215 104,498	343,695 285,676	431,175 631,618	11,436 351,201
Revenue recognised <i>(Note 2)</i>	(546,296)	(759,587)	(874,477)	(257,328)
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	(294,027) (252,269)	(468,119) (291,468)	(546,440) (328,037)	(92,653) (164,675)
Outstanding contract value as at the year/period end date <i>(Note 3)</i>	743,473	613,257	801,573	906,882
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	550,726 192,747	426,302 186,955	311,037 490,536	229,820 677,062

Notes:

1. Such contract sum represents the aggregate amount of original contract sum of new projects awarded to us during the relevant year/period, including contract sum of those projects tendered in the preceding year which are awarded to us in the relevant period, and the additions, modifications due to subsequent variation orders of existing projects during the relevant year/period.
2. The revenue recognised included variation orders which amounted to approximately HK\$62.6 million, HK\$51.1 million, HK\$110.3 million and HK\$28.7 million for the years ended 31 December 2017, 2018 and 2019, and from 1 January 2020 to the Latest Practicable Date respectively. The revenue recognised for each year ended 31 December 2017, 2018 and 2019 represents the audited revenue recognised for each of the years ended 31 December 2017, 2018 and 2019, and the revenue recognised for the period from 1 January 2020 to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions, modifications due to subsequent variation orders during the relevant period.
3. Outstanding contract value as at the year/period end date refers to the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been fully completed or subject to agreement or final account with our customers as at the end of the relevant year/period.

CUSTOMERS

During the Track Record Period, our customers were from the private sector and mainly included property developers and contractors. When we were selected by property developers as their fitting-out contractor, we often entered into contract with them or their subsidiaries. We might also be nominated by property developers as the designated fitting-out contractor for their property projects and enter into contract with the contractor of such projects. Sometimes, we were directly engaged by contractors.

SUMMARY

For the years ended 31 December 2017, 2018 and 2019, revenue attributable to our largest customer amounted to approximately HK\$159.5 million, HK\$363.6 million and HK\$402.1 million, representing approximately 28.9%, 47.3% and 45.7% of our total revenue, respectively, while revenue attributable to our five largest customers in aggregate amounted to approximately HK\$487.9 million, HK\$732.5 million and HK\$852.7 million, representing approximately 88.3%, 95.4% and 97.0% of our total revenue, respectively. Please refer to the paragraph headed “Business — Customers” in this prospectus for more details.

SUPPLIERS

We mainly source raw materials such as wood, stone, metal, tiles, plastic laminates and acoustic materials from suppliers. We also source doors, furniture and accessories tailor-made according to the specifications of our customers. For the years ended 31 December 2017, 2018 and 2019, purchases attributable to our largest supplier amounted to approximately HK\$60.9 million, HK\$95.7 million and HK\$79.6 million, representing approximately 17.4%, 19.0% and 11.5% of our total purchases, respectively, while purchases attributable to our five largest suppliers in aggregate amounted to approximately HK\$133.4 million, HK\$191.4 million and HK\$171.6 million, representing approximately 38.0%, 37.9% and 24.9% of our total purchases, respectively. Please refer to the paragraph headed “Business — Procurement” in this prospectus for more details.

SUB-CONTRACTORS

We may delegate part of our installation or other technical works to our sub-contractors. For the years ended 31 December 2017, 2018 and 2019, the sub-contracting fees attributable to our largest sub-contractor amounted to approximately HK\$21.9 million, HK\$19.4 million and HK\$35.5 million, representing approximately 6.2%, 3.8% and 5.1% of our total sub-contracting fees, respectively, while the sub-contracting fees attributable to our five largest sub-contractors in aggregate amounted to approximately HK\$64.8 million, HK\$87.2 million and HK\$130.4 million, representing approximately 18.5%, 17.3% and 18.9% of our total sub-contracting fees, respectively. Please refer to the paragraph headed “Business — Sub-contracting” in this prospectus for more details.

PRICING STRATEGY

Generally, we price a project based on a cost-plus pricing model with a mark-up so we can deliver quality work and at the same time achieve a reasonable profit margin. Our tenders or quotations are based on our estimates and available information, taking into consideration various factors, including, among other things, (i) the size, specification and complexity of the project; (ii) previous tender or quotation records; (iii) awarded price of similar projects; (iv) our operational and financial capacities; (v) the estimated project cost; (vi) the relationships with our customer; and (vii) the prevailing market conditions. For further details of the pricing strategy of our Group, please refer to the paragraph headed “Business — Sales and marketing — Pricing strategy” in this prospectus.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from other industry participants and have enabled us to compete effectively in our industry:

- We are an established contractor in Hong Kong that is capable to deliver cost-effective fitting-out services and maintains favourable relationships with both local and PRC property developers which may offer us potential business opportunities;
- We are capable to provide consistent work quality through adoption of systematic approach in management and operation and to manage costs and profit margins effectively and provide insights and refinements on customer’s proposals through maintenance of a comprehensive information database;
- We make use of up-to-date technologies to aid our business operation so as to improve our work efficiency;
- We maintain stable business relationships with our major customers, suppliers and sub-contractors; and
- We are led by an experienced management team with in-depth knowledge and experience of the fitting-out industry.

SUMMARY

BUSINESS STRATEGIES

Our principal business objective is to maintain and strengthen our market position as an established fitting-out contractor in Hong Kong. Our Directors consider that our tendency to undertake more fitting-out projects of NW Group as property developer or SHK Group in the past might limit our customer portfolio and might not be beneficial to the long-term growth and development of our Group. We therefore plan to expand our market share through undertaking more large-scale fitting-out projects with contract sum of HK\$50.0 million or above per project for customers other than NW Group as property developer and SHK Group to diversify our customer base so as to reduce our customer concentration risk.

We were not able to undertake more large-scale fitting-out projects for customers other than NW Group as property developer and SHK Group in the past mainly due to two reasons.

First, although a cash outflow of payment of Upfront Costs to supplier or sub-contractor may be followed by a cash inflow of payment from customer afterwards, the accumulated amount of cash outflow would typically exceed the accumulated amount of cash inflow during the early stage of a project, and the cash outflow effect was relatively more significant for those fitting-out projects involving a larger amount of Upfront Costs and/or customers that pay us after a longer period of time from our payment application, and it usually took longer time for the net cash out flows of such projects to reach breakeven during the Track Record Period. To the best knowledge of our Directors, NW Group as property developer and SHK Group tend to perform plastering works and sourcing of materials like marble and tiles (volume needed may be substantial, contributing to substantial costs) by themselves, while other customers often require us to supply substantial amounts of materials for their fitting-out projects, which significantly increases our Upfront Costs for their fitting-out projects. During the Track Record Period, we generally received payment around 30 days after we made payment application for fitting-out projects for NW Group as property developer or SHK Group, as compared to around 90 days when we worked on fitting-out projects of other customers. Our Upfront Costs for fitting-out projects with other customers would accumulate each month from the project commencement as we generally paid our suppliers and sub-contractors around 30 days after they issue their invoice. Our customers make progress payments to us according to our work progress and generally work progress is less substantial at the beginning of the projects, therefore the amount of work that could be submitted for payment application and thus the amount of payment we could receive from our customers might be much less than the Upfront Costs that kept on accumulating when substantial amounts of materials and sub-contractors who performed work with the materials were needed at the beginning of the projects. The cash outflow situation would usually improve as the project progresses and more substantial works are completed by us. Given the above, during the Track Record Period, our Upfront Costs for fitting-out projects for customers other than NW Group as property developer and SHK Group with an original contract sum of HK\$50.0 million or above were generally recouped in full only after approximately 13.0 months on average since they had been incurred (as contrasted with approximately three months on average for NW Group as property developer and SHK Group), and this would cause substantial net cash outflow during the relevant period.

Second, we were often required to provide surety bonds, usually in the amount equivalent to 10% of the original contract sum, in favour of our customers other than NW Group as property developer and SHK Group (while we were generally not required to provide surety bonds for NW Group as property developer and SHK Group). The deposits we were required to pledge for the surety bonds would be locked up for a substantial period of time and could severely affect our liquidity position. To implement our expansion plan, we anticipate that extra capital and financial resources are needed, and aim to strengthen our financial position in order to satisfy our Upfront Costs and surety bonds requirements with the net proceeds from the Share Offer.

During the Track Record period, the gross profit margin of our completed fitting-out projects of customers other than NW Group as property developer and SHK Group was lower by approximately 2.0 percentage points than that of our completed fitting-out projects of NW Group as property developer and SHK Group. Such difference was not considered as material by our Directors, given that we noticed that there were a substantial number of large-scale projects from customers other than NW Group as property developer and SHK Group in the market from the tender invitations we received during the Track Record Period, and that among all our tendered fitting-out projects as at the Latest Practicable Date, only six projects for NW Group as property developer or SHK Group were of expected contract sum higher than HK\$50.0 million, while 14 projects for customers other than NW Group as property developer and SHK Group were with expected contract sum higher than HK\$50.0 million. Please refer

SUMMARY

to the paragraph headed “Business — Projects — Fitting-out projects — Details of fitting-out projects we had submitted tenders as at the Latest Practicable Date” in this prospectus for more details. If the tenders of such large-scale fitting-out projects for customers other than NW Group as property developer and SHK Group were successful, we expect the revenue we would receive thereunder and hence the resulting gross profits, to outweigh the immaterial difference in gross profit margins. For further details, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalisation Issue, Mr. Ng will, through Fate Investment, be interested in 75% of the issued shares of our Company, without taking into account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, and hence Fate Investment and Mr. Ng are our Controlling Shareholders within the meaning of the Listing Rules. For further details, please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus.

SUMMARY OF RESULTS OF OPERATIONS

Consolidated statements of comprehensive income

The following table sets out our consolidated statements of comprehensive income for the years ended 31 December 2017, 2018 and 2019 (for further analysis, please refer to the paragraph headed “Financial information — Summary of results of operations” in this prospectus), which was extracted from, and should be read in conjunction with the Accountant’s Report in Appendix I to this prospectus:

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	552,652	768,145	879,401
Cost of services	<u>(470,774)</u>	<u>(660,473)</u>	<u>(759,675)</u>
Gross profit	81,878	107,672	119,726
Other gains, net	685	284	452
Administrative expenses	(35,763)	(49,804)	(54,335)
Listing expenses	—	—	(9,016)
Impairment loss on trade receivables	<u>—</u>	<u>—</u>	<u>(950)</u>
Profit before finance income and costs and income tax expenses	46,800	58,152	55,877
Finance income	1,995	2,047	2,110
Finance costs	<u>(12,280)</u>	<u>(12,356)</u>	<u>(16,171)</u>
Profit before income tax	36,515	47,843	41,816
Income tax expense	<u>(5,882)</u>	<u>(7,674)</u>	<u>(8,141)</u>
Profit and total comprehensive income for the year attributable to owners of our Company	<u>30,633</u>	<u>40,169</u>	<u>33,675^(Note)</u>
<i>Non-HKFRSs Measures</i>			
Profit and total comprehensive income for the year attributable to owners of our Company	30,633	40,169	33,675
Add:			
Listing expenses	—	—	9,016
Adjusted profit and total comprehensive income for the year	<u>30,633</u>	<u>40,169</u>	<u>42,691</u>

SUMMARY

Note: The decrease of our profit and total comprehensive income for the year attributable to owners of our Company by approximately HK\$6.5 million or 16.2% from approximately HK\$40.2 million for the year ended 31 December 2018 to approximately HK\$33.7 million for the year ended 31 December 2019 was mainly due to the non-recurring Listing expenses of approximately HK\$9.0 million incurred during the year ended 31 December 2019.

Non-HKFRSs measures

Adjusted profit and total comprehensive income for the year is derived by excluding the non-recurring expenses. The term of adjusted profit and total comprehensive income is not defined under the HKFRSs and the values thereof were presented because our Directors believe that they are useful supplements to the consolidated statements of profit or loss and other comprehensive income. The values reflect another perspective to the profitability of our Group's operations without taking into consideration the non-recurring Listing expenses. However, the adjusted profit and total comprehensive income for the year should not be considered in isolation or construed as an alternative to profit and total comprehensive income for the year prepared in accordance with HKFRSs, or as an alternative to cash flows as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should take note that the adjusted profit for the year presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

Cost of services

The table below sets forth a breakdown of our cost of services during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sub-contracting fees	248,142	52.7	352,876	53.4	450,109	59.3
Material costs	164,577	35.0	245,283	37.1	242,719	32.0
Employee benefit expenses	51,548	10.9	55,725	8.4	56,993	7.5
Other costs	6,507	1.4	6,589	1.1	9,854	1.2
Total	<u>470,774</u>	<u>100.0</u>	<u>660,473</u>	<u>100.0</u>	<u>759,675</u>	<u>100.0</u>

Gross profit and gross profit margin

Our total gross profit amounted to approximately HK\$81.9 million, HK\$107.7 million and HK\$119.7 million, respectively, of which (i) approximately HK\$79.5 million, HK\$105.0 million and HK\$117.8 million was generated from providing fitting-out services, representing approximately 97.1%, 97.5% and 98.4% of our total gross profit, respectively; and (ii) approximately HK\$2.3 million, HK\$2.7 million and HK\$1.9 million was generated from providing repair and maintenance services, representing approximately 2.9%, 2.5% and 1.6% of our total gross profit, for the years ended 31 December 2017, 2018 and 2019, respectively. The gross profit margins of our fitting-out services were approximately 14.6%, 13.8% and 13.5%, and that of our repair and maintenance services were approximately 36.9%, 31.0% and 38.6%, for the years ended 31 December 2017, 2018 and 2019, respectively.

For details of breakdown and discussion of our gross profit and gross profit margin, please refer to the paragraph headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this prospectus.

SUMMARY

Highlight of certain items of our consolidated statements of financial position

	As at 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	26,430	45,427	52,831
Current assets	479,830	549,088	657,599
Total assets	506,260	594,515	710,430
Current liabilities	403,110	463,728	550,081
Net current assets	76,720	85,360	107,518
Total assets less current liabilities	103,150	130,787	160,349
Total equity	101,893	122,062	155,737

As at 31 December 2017, 2018 and 2019, our net current assets amounted to approximately HK\$76.7 million, HK\$85.4 million and HK\$107.5 million, respectively. The increase in our net current assets was mainly due to the increase in our current assets as a result of our business growth and our profitable operation during the Track Record Period, partially offset by the increase in our current liabilities.

Highlight of certain items of our consolidated statements of cash flows

	For the year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Cash generated from operations			
before changes in working capital	49,873	67,133	65,179
Changes in working capital	24,213	(35,771)	(123,521)
Income tax paid	(12,747)	(5,172)	—
Net cash generated from/(used in) operating activities	61,339	26,190	(58,342)
Net cash (used in)/generated from investing activities	(54,930)	6,967	(9,844)
Net cash (used in)/generated from financing activities	(15,967)	(39,798)	84,713
Net (decrease)/increase in cash and cash equivalents	(9,558)	(6,641)	16,527
Cash and cash equivalents at beginning of year	9,201	(357)	(6,998)
Cash and cash equivalents at end of year	(357)^(Note)	(6,998)^(Note)	9,529

Note: We recorded negative cash balance as at 31 December 2017 and 2018 mainly because we utilised bank overdrafts during the relevant financial years to finance our working capital.

For the year ended 31 December 2019, we had net cash used in operating activities of approximately HK\$58.3 million, out of which our operating cash flows before movements in working capital was approximately HK\$65.2 million, which was primarily attributable to our profit before income tax of approximately HK\$41.8 million, mainly added (i) interest expenses of approximately HK\$16.2 million; (ii) depreciation of plant and equipment and right-of-use assets of HK\$8.8 million in aggregate, and subtracted by interest income of approximately HK\$2.1 million. Movements in working capital contributed to the net cash outflow which was primarily due to the effect of net cash outflow from the movement to contract assets/liabilities of approximately HK\$49.6 million due to the increase in the amount of contract work performed on certain large-scale fitting-out projects by the period end but were not certified as at 31 December 2019; increase in trade receivables and trade receivables from a director of our Company/a related company of approximately HK\$107.6 million mainly due to our business growth and the increase in progress billing of our projects with customers other than NW Group as property developer and SHK Group, in particular, project P13 (Project reference number corresponds with the table disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus) as we generally received payment from such customer around 90 days after we made payment application.

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Our Group intends to improve our net operating cash outflow position by enhancing our Group's credit control management of trade receivables and negotiating for better payment terms with our customers other than NW Group as property developer and SHK Group. Our administrative and accounting department prepares cash flow forecast plans every week, and our financial controller analyses our working capital needs and collectability of our trade receivables and retention receivables every month. Our financial controller regularly discusses our cash flow situation and cost arrangements with the contract manager, and our contract department follows up with customers for payment. Besides, we have entered into short-term loan arrangements with banks which allow us to access working capital when needed.

For further analysis, please refer to the paragraph headed "Financial information — Liquidity and capital resources" in this prospectus.

Key financial ratios

	As at/For the year ended 31 December		
	2017	2018	2019
Revenue growth ^(Note 1) (%)	N/A	39.0	14.5
Net profit growth ^(Note 2) (%)	N/A	31.1	(16.2)
Current ratio ^(Note 3) (times)	1.2	1.2	1.2
Quick ratio ^(Note 4) (times)	1.2	1.2	1.2
Gearing ratio ^(Note 5) (%)	278.9	241.7	250.7
Net debt to equity ratio ^(Note 6) (%)	269.8	236.8	241.7
Net profit margin ^(Note 7) (%)	5.5	5.2	3.8
Interest coverage ^(Note 8) (times)	4.0	4.9	3.6
Return on equity ^(Note 9) (%)	30.1	32.9	21.6
Return on total assets ^(Note 10) (%)	6.1	6.8	4.7

Notes:

1. Revenue growth is calculated by dividing the total revenue growth by the revenue from the previous year.
2. Net profit growth is calculated by subtracting the previous year's net profit from the current year's net profit and dividing the result by the previous year's net profit.
3. Current ratio represents current assets divided by current liabilities as of the end of year.
4. Quick ratio represents current assets (net of inventories) divided by current liabilities as of the end of year.
5. Gearing ratio represents total debt divided by total equity as of the end of year. Debt of our Group refers to bank borrowings and lease liabilities.
6. Net debt to equity ratio is calculated by dividing net debt by total equity as of the end of year. Net debt is defined to include all borrowings and lease liabilities net of cash and cash equivalents and pledged time deposits.
7. Net profit margin is calculated by the profit for the year divided by the revenue for the year.
8. Interest coverage represents profit before interest and tax divided by interest expenses recorded during the year.
9. Return on equity is calculated by the profit for the year, divided by total equity as of the end of year.
10. Return on total assets is calculated by the profit for the year, divided by total assets as of the end of year.

For further analysis, please refer to the paragraph headed "Financial information — Key financial ratios" in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business and operations

Our business model and cost structure remain largely unchanged subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of undertaking fitting-out works in Hong Kong, in which we have submitted 62 tenders for fitting-out projects with an aggregate expected contract sum of approximately HK\$2,333.2 million. Out of these 62 tenders, we have been awarded with two fitting-out contracts with an aggregate awarded contract sum amounting to approximately HK\$183.8 million, representing a tender success rate of approximately 3.2% as at the Latest Practicable Date, with the rest of the tenders still pending release of results. Generally it might take around ten months from receiving tender invitation to

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the award of contract during the Track Record Period. For more details on our tender success rate during the Track Record Period, please refer to the paragraph headed “Business — Sales and marketing — Tender success rate” in this prospectus.

Subsequent to the Track Record Period and up to the Latest Practicable Date, we were awarded one fitting-out contract from SHK Group (relevant tender was submitted subsequent to the Track Record Period) and two fitting-out contracts from customers other than NW Group as property developer and SHK Group (projects codes P46 (relevant tender was submitted subsequent to the Track Record Period) and P26 (relevant tender was submitted in the year 2019)), with an aggregate awarded contract sum amounting to approximately HK\$356.4 million. For more details regarding P46 and P26, please refer to the paragraph headed “Future plans and use of proceeds — Use of Proceeds — Payment of Upfront Costs for new projects — Our awarded projects with awarded contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group” in this prospectus.

As at the Latest Practicable Date, we had a total of 39 fitting-out projects on hand, which included fitting-out projects that have commenced but not completed and fitting-out projects that have been awarded to us but not yet commenced, with an aggregate total contract sum of HK\$2,932.6 million of which approximately HK\$814.4 million are expected to be recognised in the year ending 31 December 2020, approximately HK\$340.9 million are expected to be recognised in the year ending 31 December 2021, and approximately HK\$8.9 million are expected to be recognised in the year ending 31 December 2022. Among these projects on hand, 21 projects were with total contract sum of HK\$50.0 million or above. The aggregate total contract sum of these 21 projects amounted to approximately HK\$2,566.4 million.

An ongoing litigation

On 6 January 2020, the court found against Success Base Engineering with regard to a tenancy dispute between the landlord and Success Base Engineering as tenant for a sum of approximately HK\$0.3 million with costs of the action. We served notice of appeal to the plaintiff in February 2020. As at the Latest Practicable Date, the appeal is still ongoing and no final orders have been made by the court. For further details of such claim, please refer to the paragraph headed “Business — Legal proceedings and claims” in this prospectus.

Declaration of dividend

On 10 January 2020, our Group declared a special dividend in the total sum of HK\$130.0 million out of the profits of our Group available for distribution to pay to Mr. Ng, out of which (i) approximately HK\$128.1 million in the form of species of the receivables of our Group owed by Mr. Ng, Success Base Group Holding, Success Land, Nice Dragon, Fullmax and One Production; and (ii) the balance of approximately HK\$1.9 million be paid or settled as agreed between our Group and Mr. Ng. As at the Latest Practicable Date, such balance was settled in full by way of offsetting the amounts due from related companies.

Financial performance

Save for the estimated non-recurring Listing expenses as disclosed in the paragraph headed “Listing expenses” in this section, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 December 2019, being the date of the latest audited consolidated statements of financial position of our Company and up to the date of this prospectus, and there is no event since 31 December 2019 which would materially affect the information shown in our consolidated financial statements as set out in the Accountant’s Report in Appendix I to this prospectus up to the date of this prospectus.

Potential decrease in our profit and total comprehensive income for the year attributable to owners of our Company for the year ending 31 December 2020

Apart from the Listing expenses, it is expected that our profit and total comprehensive income for the year attributable to owners of our Company for the year ending 31 December 2020 will decrease as compared to that for the year ended 31 December 2019.

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Such potential decrease is mainly attributable to:

- (a) the increase in the administrative expenses primarily as a result of (i) the increase in the depreciation on plant and equipment mainly due to the depreciation from the addition of machinery during the year ended 31 December 2019 including three-dimensional laser scanning and electronic measurement devices as well as depreciation from the expected new additions of technologies devices in the year 2020 so as to improve our work efficiency, more details are set out in the paragraph headed “Business — Competitive Strengths — We make use of up-to-date technologies to aid our business operation so as to improve our work efficiency” in this prospectus; and (ii) the increase in employee benefit expenses (including directors’ emoluments);
- (b) the potential deterioration in our ability to collect trade receivables mainly due to undertaking more projects for customers other than NW Group as property developer and SHK Group;
- (c) the lower gross profit margins mainly due to undertaking more projects for customers other than NW Group as property developer and SHK Group;
- (d) the potential inability to materialise the forecasted revenue mainly due to potential project suspension caused by the outbreak of COVID-19, as evidenced from that caused by the two-week closure for four of our fitting-out project worksites in early February 2020 as well as not being awarded our tendered projects as forecasted, in view of the relatively low tender success rate from 1 January 2020 and up to the Latest Practicable Date, more details of which are set out in the paragraph headed “Recent developments and no material adverse change — Our business and operations” in this section; and
- (e) the potential deterioration in economic conditions in Hong Kong, and downturn in the property market and fitting-out works market.

Decrease in revenue and a higher net loss for the four months ended 30 April 2020 as compared to the corresponding period in 2019

Based on the unaudited consolidated management accounts of our Group, apart from the Listing expenses, we recorded a decrease in revenue and a higher net loss for the four months ended 30 April 2020 as compared to the corresponding period in 2019 (net loss was also recorded for such period in 2019, as our business operation may subject to seasonality where we recorded relatively higher revenue in the months preceding the Chinese New Year and relatively lower revenue during the month of the Chinese New Year) mainly attributable to:

- (i) the decrease in the number of fitting-out projects with revenue contribution from 46 projects for the four months ended 30 April 2019 to only 23 projects for the four months ended 30 April 2020 as certain large-scale fitting-out projects (i.e. 12 projects with total contract sum of HK\$50.0 million or above carried forward from the year ended 31 December 2019) have been practically completed as at 31 December 2019 as set out in the table disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus. To the best knowledge of our Directors, such decrease in the number of fitting-out projects is not related to the outbreak of COVID-19 in Hong Kong, but because of the non-recurring nature of fitting-out projects, more details are set out in the paragraph headed “Risk factors — Risks relating to our business — Our revenue is mainly derived from projects which are non-recurring in nature and any decrease in the number of projects and/or the demand of our services would affect our operations and financial results” in this prospectus; and
- (ii) the combined impact of the seasonal fluctuations and the outbreak of COVID-19 on our business operations (as the Chinese New Year in the year 2020 was in late January, our operation was not in full swing shortly after the Chinese New Year and was further slowed down by the outbreak of COVID-19 in Hong Kong that caused two-week closure for four of our fitting-out project worksites in early February 2020), though not causing significant delay to our projects, our Group was still required to incur some fixed costs, including, among other things, employees benefits expenses under our cost of services as well as administrative expenses, without performing billable works.

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Our Directors' belief that the net loss position for the four months ended 30 April 2020 is temporary and the outbreak of COVID-19 will not cause material impact in our financial or trading position for the year ending 31 December 2020

Although there is a decrease in the number of fitting-out projects with revenue contribution for the four months ended 30 April 2020, it is our Group's business strategy to reserve more financial and human resources to undertake more large-scale projects going forward and we intend to be more selective in taking up projects of relatively smaller scale. We were awarded two fitting-out contracts from customers other than NW Group as property developer and SHK Group, with an aggregate awarded contract sum amounting to approximately HK\$350.1 million, for projects with projects codes P26 and P46 in March 2020 and April 2020, respectively, and our outstanding contract value increased by approximately HK\$105.3 million or 13.1% from approximately HK\$801.6 million as at 31 December 2019 to approximately HK\$906.9 million as at the Latest Practicable Date, and it is expected that approximately HK\$814.4 million will be recognised in the year ending 31 December 2020.

Furthermore, all relevant worksites have resumed operation after the abovementioned two-week closure, and our Group's operation has been fully resumed as at the Latest Practicable Date. To the best knowledge, information and belief of our Directors, we will be able to catch up subsequently with such delayed progress. Based on their experience, our Directors expect that our Group will generate more revenue in the second half of 2020 when we achieve more substantial progress for more of our projects on hand, including P26 and P46 by that time and in particular, the 4th quarter of 2020 (i.e. the months preceding the Chinese New Year in the year 2021).

Moreover, our Directors also expect that our Group will have a high chance of obtaining the projects with projects codes P23 and P52, with an aggregate contract sum of approximately HK\$555.5 million. Please refer to the paragraphs headed "Future plans and use of proceeds — Use of proceeds — Payment of Upfront Costs for new projects — Our awarded projects with awarded contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group" and "Future plans and use of proceeds — Use of proceeds — Payment of Upfront Costs for new projects — Our potential projects with expected contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group" in this prospectus for further details in relation to the our awarded and potential projects.

No material adverse change due to social unrest and outbreak of COVID-19

According to the Frost & Sullivan Report, property projects in Hong Kong generally need to be planned long before completion as it usually takes about two to three years for site formation works and about three to four years for building and infrastructure works. Moreover, according to the Task Force on Land Supply, although the land supply for residential use will be substantially increased by 2026, there is still an obvious land shortage to meet the public needs of Hong Kong and hence, there will be a profound demand for residential buildings and the fitting-out market in Hong Kong is perceived to be less affected by social unrest and the outbreak of COVID-19. Our Directors confirm that the social unrest since 2019 and the occurrence of the outbreak of COVID-19 have not resulted in any long term and material adverse impact on the business operation and financial performance of our Group up to the Latest Practicable Date. Our Directors will continue to assess the impact of the outbreak of COVID-19 on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the pandemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and when necessary. Please refer to the paragraphs headed "Outbreak of COVID-19" in this section and "Business — Impact of outbreak of COVID-19" in this prospectus for more details.

OUTBREAK OF COVID-19

Please refer to the paragraph headed "Industry overview — Recent market development" in this prospectus for more details on the background of the outbreak of COVID-19.

Closure of our fitting-out project worksites

Under the current outbreak of COVID-19 in Hong Kong, four of our fitting-out project worksites were temporarily closed for two weeks in early February 2020, as directed by the relevant customers as a precautionary measure to prevent the spread of COVID-19. All such worksites have resumed operation afterwards, and our Group has not experienced any further worksite closures and/or suspensions up to the Latest Practicable Date. As the period from project planning to project practical completion might

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take around 22 to 36 months, in the opinion of our Directors, the closure of worksites for two weeks in early February 2020 would not cause significant delay to our projects, and to the best knowledge, information and belief of our Directors, we will be able to catch up subsequently with such delayed progress.

Potential disruptions to our business and operations

To the best knowledge of our Directors, none of our employees or other personnel working at our worksite(s) have been diagnosed with confirmed cases of COVID-19 since the outbreak of COVID-19 and up to the Latest Practicable Date. However, if the outbreak of COVID-19 persists for a substantial period or there are personnel working at the worksite(s) who are infected with COVID-19 from time to time whereby the worksite(s) have to be suspended from time to time correspondingly, the potential effect of the delay or disruption to the worksite(s) may be substantial. Based on our discussion with the main contractors of our fitting-out works projects, if any personnel working in the worksite(s) has been confirmed positive for COVID-19, the relevant main contractor(s), property developer(s) or ultimate customer(s) of our fitting-out works projects would consider suspending all works in the relevant worksite(s), including our fitting-out works, for at least two weeks. In the event that there is an increasing trend of local transmission of COVID-19, the Hong Kong government may step up social distancing measures including closure of physical workplace premises, which may cause suspension of our works. If such circumstances arise, our Directors consider that such suspension will, subject to its duration and frequency, delay our work progress and project timetable. As a result, we may have to pay liquidated damages or compensation to our customers according to the terms of the contracts if such delay is not accepted by the relevant customer. There may also be material disruptions to the sourcing of materials and sub-contracting services. Such disruption, if not properly addressed, may affect our abilities to discharge our obligations under the existing contracts. All of these will adversely affect our business operation and financial performance as a result. Our relationship with the relevant customers may also be adversely affected.

Business contingency plans

For our projects on hand as at the Latest Practicable Date, we have formulated business contingency plans:

- ***Business contingency plans as to sourcing of materials***

To the best knowledge of our Directors, some of our suppliers might source their materials and/or products from manufacturers located in the PRC. We have made enquiries with those suppliers who source their materials from manufacturers located in the PRC and, to the best knowledge of our Directors, as at the Latest Practicable Date, the continuing supply of our fitting-out raw materials and doors, furniture and accessories tailor-made according to the specifications of our customers would not be materially affected. According to the Frost & Sullivan Report, in view of the number of confirmed cases of COVID-19 in the PRC has gradually slowed down and appeared to be effectively controlled in March 2020, some companies in the PRC, including production and manufacturing enterprises, have been implementing staged returns to work and some have even resumed full production. Our Directors have also received confirmations from our suppliers for the projects on hand as at the Latest Practicable Date, a majority of them being our five largest suppliers during the Track Record Period, that there would be no significant delay in the supply and delivery of materials to us. We will closely monitor the situation and have prepared contingency plans. Assuming the hypothetical case in which suppliers are not able to deliver the materials to us on time, or at all, although we do not keep inventories of materials, our Directors consider there to be immaterial impact on us, as there were over 72 approved suppliers (where we had worked with 53 of them during the Track Record Period) in our internal list of approved suppliers maintained by us as at the Latest Practicable Date, and we generally have multiple approved suppliers as alternatives for the major materials used in our projects.

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- ***Business contingency plans as to sub-contracting services***

During the Track Record Period, our five largest sub-contractors are based in Hong Kong. Our Directors have received confirmations from our sub-contractors for the projects on hand as at the Latest Practicable Date, a majority of them being our five largest sub-contractors during the Track Record Period, that they are able to provide labour or perform the services engaged. We will closely monitor the situation and have prepared contingency plans. Assuming the hypothetical case in which some sub-contractors are not able to provide labour or perform the services engaged, our Directors consider there to be immaterial impact on us, as there were over 96 approved sub-contractors in our internal list of approved sub-contractors maintained by us as at the Latest Practicable Date (where we had worked with 74 of them during the Track Record Period) and we generally have multiple approved sub-contractors as alternatives for each particular type of works.

- ***Business contingency plans in case we encounter project cancellations or material delays in work progress***

Our Directors recognise that, if the development of COVID-19 persists or intensifies, the economy in Hong Kong may be adversely affected. In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence new property projects, thus delaying or reducing the number of new projects to be awarded to us. Furthermore, our customers may become unable to settle the payments due to us for our services rendered within the agreed schedule or at all. There may also be cancellation or material delays to our projects on hand. We have considered the following business contingency plans which will be implemented in case we encounter project cancellations or material delays in work progress:

- Evaluate existing contracts and liaise with our customers for possible extension of contract periods and delay in fulfilling the surety bond requirements;
- Maintain minimum headcount to support our operations by placing our staff on unpaid leave; and
- Reduce material costs or sub-contracting charges by suspending suppliers'/sub-contractors' services until further notice.

Our Directors are of the opinion that, taking into account (i) the above contingency plans; (ii) financial resources available to us, including cash and cash equivalents of HK\$4.2 million, available financing facilities of approximately HK\$61.3 million as of 30 April 2020; and the estimated net proceeds to be received by us from the Share Offer for general working capital of our Group of approximately HK\$8.4 million and (iii) our cash burn rate, which is our cash and bank balances divided by monthly cash demand, in the worst case that all our projects are cancelled/suspended and no operations can be performed, we will have sufficient working capital to cover our working capital needs, including cost of services and administrative expenses for at least the next 12 months from the date of this prospectus.

As at the Latest Practicable Date, our Directors confirm that:

- (i) our Group had not experienced any project cancellation/material delay on the expected work progress of our projects on hand;
- (ii) there had been no material impact on the supply of materials and/or labour to our Group;
- (iii) there had been no material impact on our costs;
- (iv) our Group had not experienced material difficulties in collecting payments from customers;
- (v) our Group had not experienced material difficulties in discharging our obligations under all existing contracts; and

SUMMARY

- (vi) to the best knowledge, information and belief of our Directors, there will not be any material impact on our Group's operation and financial performance for the year ending 31 December 2020, due to the outbreak of COVID-19 in Hong Kong.

For a more detailed discussion on the impact of the outbreak on our Group, please refer to the paragraph headed "Business — Impact of outbreak of COVID-19" in this prospectus.

Pandemic outbreak contingency plan

Our Directors are of the view that as at the Latest Practicable Date, the impact of the outbreak of COVID-19 on our Group is not significant and we have managed to continue the provision of fitting-out services and repair and maintenance services with strengthened safety and health measures. A contingency plan for pandemic outbreak was adopted by us in January 2020 (which would be updated from time to time) to protect our workers from the outbreaks of infectious diseases, preventive measures of which include the followings:

- Temperature screening at entry of premises
- Temperature screening before work
- Hand sanitizing
- Disinfection of common areas
- Personal protection control (respiratory protection such as wearing face masks, etc.)

Please refer to the paragraph headed "Business — Occupational health and safety — Hygienic working environment" in this prospectus for details of the precautionary measures taken by our Group in view of the outbreak of COVID-19 in Hong Kong.

LISTING EXPENSES

Based on the Offer Price of HK\$0.66 (being the mid-point of the Offer Price range stated in this prospectus), the estimated Listing expenses in connection with the Share Offer are approximately HK\$47.8 million, representing approximately 36.2% of the gross proceeds from the Share Offer. Among the estimated Listing expenses, (i) approximately HK\$32.2 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$15.6 million is expected to be recognised as expenses in our consolidated statements of comprehensive income, of which approximately HK\$9.0 million had been recognised during the Track Record Period and the remaining of approximately HK\$6.6 million is expected to be recognised during the year ending 31 December 2020. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2020 will be adversely affected by the estimated Listing expenses mentioned above.

DIVIDENDS

Dividends of nil, HK\$20.0 million and nil during each of the years ended 31 December 2017, 2018 and 2019 represented dividends declared by Success Base Engineering, a company now being part of our Group, to its then shareholder.

On 10 January 2020, our Group declared a special dividend in the amount of HK\$130.0 million, details of which are set out in the paragraph headed "Recent developments and no material adverse change — Declaration of dividend" in this section.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend in a given year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements and economic outlook. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law.

SHARE OFFER STATISTICS

The statistics below are based on the assumption that the Over-allotment Option is not exercised.

SUMMARY

	Based on the low end of the indicative Offer Price range, being HK\$0.63 per Share	Based on the high end of the indicative Offer Price range, being HK\$0.69 per Share
Market capitalisation of our Shares (in million) <i>(Note 1)</i>	HK\$504.0	HK\$552.0
Unaudited pro forma adjusted net tangible assets per Share <i>(Notes 2 & 3)</i>	HK\$0.31	HK\$0.32

Notes:

1. The calculation of market capitalisation is based on 800,000,000 Shares expected to be in issue immediately following completion of the Share Offer.
2. For details of the bases and assumptions, please refer to “Unaudited pro forma financial information” in Appendix II to this prospectus.
3. The special dividend of HK\$130.0 million declared on 10 January 2020 was not taken into account when calculating the unaudited pro forma adjusted net tangible assets per Share. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.14 and HK\$0.15 per Share based on the Offer Price of HK\$0.63 and HK\$0.69 per Offer Share, respectively.

REASONS FOR THE LISTING

Our Directors consider that the Listing will provide us with the following benefits: (i) strengthen our financial position and implement our business strategies; (ii) enhance our corporate profile, brand awareness and competitiveness among business stakeholders; (iii) enhance our staff morale and loyalty; and (iv) enlarge and diversify our shareholder base. For details, please refer to the paragraph headed “Future plans and use of proceeds — Reasons for the Listing” in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$0.66 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Share Offer (after deducting underwriting fees and commission and estimated expenses in connection with the Share Offer) will be approximately HK\$84.2 million. We intend to apply such net proceeds in the following manner:

- approximately 36.7% of the net proceeds (approximately HK\$30.9 million) for payment of Upfront Costs for new projects;
- approximately 53.3% of the net proceeds (approximately HK\$44.9 million) for obtaining surety bonds; and
- approximately 10.0% of the net proceeds (approximately HK\$8.4 million) for general working capital of our Group.

SUMMARY OF PROMINENT RISK FACTORS

There are certain risks involved in our business operations and in connection with the Share Offer, many of which are beyond our control. Any of the factors set forth under the section headed “Risk factors” in this prospectus may limit our ability to execute our business strategy successfully. For example, (i) concentration of revenue among our five largest customers; (ii) the non-recurring nature of our revenue; (iii) liquidity risk in relation to working capital requirements and surety bonds requirements; (iv) the recent outbreak of COVID-19 worldwide may significantly and adversely impact our business operation and financial performance; (v) revenue and profit margin fluctuations driven by variation orders; (vi) the risk of estimating time and costs involved in our projects inaccurately; (vii) our historical growth rate, revenue and profit margin may not be indicative of our future financial performance; (viii) the risk of our sub-contractors underperforming or becoming unavailable; and (ix) shortage or delay in delivery of materials and defective materials supplied by our suppliers.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk factors” in this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the Share Offer, certain of which may not be consistent with the information contained in this prospectus.

DEFINITIONS

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

“Accountant’s Report”	the accountant’s report included in Appendix I to this prospectus
“Anssen”	Anssen Consulting Limited (安勤專業顧問有限公司), a company incorporated under the laws of Hong Kong with limited liability on 14 May 2009 and is wholly-owned by Mr. Chan
“Application Form(s)”	WHITE Application Form(s) or YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context requires
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 16 June 2020 with effect from the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of our Company established by the Board
“Board”	the board of directors of our Company
“business day(s)”	any day(s) (other than a Saturday or a Sunday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 599,989,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Share Offer referred to in the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus
“Cayman Islands”	the Cayman Islands, a British Overseas Territory
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operation Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated), excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chong Sun”	Chong Sun Engineering Company, a sole proprietorship founded in Hong Kong and is one of our five largest suppliers and one of our five largest sub-contractors during the Track Record Period
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Law” or “Cayman Islands Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Company”, “our Company”, “we” or “us”	Superland Group Holdings Limited (德合集團控股有限公司) (previously known as Universal Management Company Limited (環球管理有限公司) and Superland Management Company Limited (德合管理有限公司)), a company incorporated in the Cayman Islands on 11 July 2019 as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in case of our Company, means Fate Investment and Mr. Ng, or any of them

DEFINITIONS

“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Covenantor(s)” or “Indemnifier(s)”	our Controlling Shareholders or any one of them
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Deed of Indemnity”	the deed of indemnity dated 16 June 2020 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries stated therein), details of which are set out in the paragraph headed “E. Other information — 1. Tax indemnity, other indemnity and estate duty” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“Fate Investment”	Fate Investment Company Limited, a company incorporated under the laws of BVI with limited liability on 10 July 2019 and is wholly-owned by Mr. Ng, chairman of our Board, executive Director and Controlling Shareholder
“Frost & Sullivan”	Frost & Sullivan Limited, our industry consultant, which is an Independent Third Party
“Frost & Sullivan Report” or “Industry Report”	a commissioned market research report prepared by Frost & Sullivan
“Fullmax”	Fullmax Resources Limited (偉京有限公司), a company incorporated under the laws of Hong Kong with limited liability on 30 June 2016 and is wholly owned by Mr. Ng
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of the present subsidiaries, the present subsidiaries and the business carried on by the subsidiaries or, as the case may be, the predecessors
“HK eIPO White Form”	the application of Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the IPO APP or the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified in the IPO APP or on the designated website at www.hkeipo.hk

DEFINITIONS

“HK\$” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing 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
“Hong Kong Offer Shares”	the 20,000,000 Shares initially offered by us for subscription pursuant to the Hong Kong Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Hong Kong Public Offer”	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting” in this prospectus;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 29 June 2020 relating to the Hong Kong Public Offer entered into by, among others, our Company, the Sole Sponsor and the Hong Kong Underwriters, as further described in the paragraph headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer — Hong Kong Underwriting Agreement” in this prospectus
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	a person or persons or a company or companies which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquires, is not or are not our connected person(s) within the meaning ascribed under the Listing Rules
“International Placing”	the offering of International Placing Shares by the International Underwriters, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus

DEFINITIONS

“International Placing Shares”	the 180,000,000 Shares being initially offered by our Company pursuant to the International Placing, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“International Underwriters”	the underwriters of the International Placing that are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on the Price Determination Date by, among others, our Company, the Sole Sponsor and the International Underwriters in respect of the International Placing, as further described in the paragraph headed “Underwriting — Underwriting arrangements and expenses — The International Placing — International Underwriting Agreement” in this prospectus
“IPO APP”	the mobile application for HK eIPO White Form Service, which can be downloaded by searching “ IPO APP ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	Lego Securities Limited, Business Securities Limited and HK Monkey Securities Limited
“Joint Global Coordinators”	Lego Securities Limited and Business Securities Limited
“Joint Lead Managers”	Lego Securities Limited, Business Securities Limited, HK Monkey Securities Limited, China Tonghai Securities Limited, Orient Securities Limited, Realord Asia Pacific Securities Limited, Lee Go Securities Limited, Giraffe Capital Limited and Maxa Capital Limited
“Latest Practicable Date”	21 June 2020, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Listing”	listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date, expected to be on or about 17 July 2020, on which our Shares are listed and dealings in our Shares commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 16 June 2020, as amended from time to time
“Mr. Chan”	Mr. Chan Ming Yim (陳銘嚴), our non-executive Director
“Mr. Kwok”	Mr. Kwok Yick Chun (郭奕俊)
“Mr. Ng”	Mr. Ng Chi Chiu (吳志超), the chairman of our Board, our chief executive officer, executive Director, one of our Controlling Shareholders and spouse of Ms. Zhao
“Ms. Zhao”	Ms. Zhao Haiyan Chloe (趙海燕), our executive Director and spouse of Mr. Ng
“Nice Dragon”	Nice Dragon International Limited (潤龍國際有限公司), a company incorporated under the laws of Hong Kong with limited liability on 15 March 2012 and is indirectly wholly owned by Mr. Ng
“Nomination Committee”	the nomination committee of our Company established by the Board
“NW Group”	NW Group includes New World Construction Company Limited, Hip Hing Construction Company Limited, Hip Hing Engineering Company Limited and two related companies
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.69 and expected to be not less than HK\$0.63, at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, such price to be determined as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares to be issued pursuant to the Over-allotment Option
“On Grace”	On Grace Corporation Limited, a company incorporated under the laws of Hong Kong with limited liability on 3 August 2009

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“One Production”	One Production Holding Limited (弦制作(國際)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 12 August 2015 and is indirectly wholly owned by Mr. Ng
“One Studio”	One Studio Limited (龐比度有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 June 2005 and is indirectly wholly owned by Mr. Ng
“Over-allotment Option”	the option granted by us to the International Underwriters exercisable after consultation with our Company by the Stabilising Manager (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to 30,000,000 Shares at the Offer Price (representing 15% of the Shares initially being offered under the Share Offer) to cover over-allocation in the International Placing, the details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is to be determined, which is expected to be on or around Friday, 10 July 2020 or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us may agree
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Company established by the Board
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, development and Reorganisation” in this prospectus and in the paragraph headed “A. Further information about our Company — 5. The Reorganisation” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of our Company, of a par value of HK\$0.01 each
“Share Offer”	the Hong Kong Public Offer and the International Placing
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 16 June 2020, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“SHK Group”	SHK Group includes Sanfield (Management) Limited, Sun Hung Kai Properties Limited, Sun Hung Kai Real Estate Agency Limited and a related company
“Sky Range”	Sky Range Limited, a company incorporated under the laws of Samoa with limited liability and registered as a registered non-Hong Kong company on 7 September 2016 and is indirectly wholly owned by Mr. Ng
“Sole Sponsor”	Lego Corporate Finance Limited, a licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the sole sponsor of the Listing
“Stabilising Manager”	Business Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Fate Investment on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Success Base Engineering”	Success Base Engineering Limited (創基工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 5 January 2004 and is wholly-owned by our Company
“Success Base Engineering Sales and Purchase Agreement”	the sales and purchase agreement entered into between Mr. Ng, Success Base Group Holding, Team World and our Company on 9 December 2019. For details, please refer to the section headed “History, development and Reorganisation” in this prospectus

DEFINITIONS

“Success Base Group Holding”	Success Base Group Holding Limited (創基集團控股有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 April 2007 and is wholly-owned by Mr. Ng
“Success Land”	Success Land Global Company Limited (天方置業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 April 2013 and is indirectly wholly-owned by Mr. Ng
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC (as amended, supplemented or otherwise modified from time to time)
“Team World”	Team World Company Limited, a company incorporated under the laws of the BVI with limited liability on 12 July 2019 and is wholly-owned by our Company
“Track Record Period”	the period comprising the years ended 31 December 2017, 2018 and 2019
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Upfront Costs”	project-related expenses, such as cost of materials and sub-contracting charges, incurred by us during the period after the date of project commencement (determined based on the date of the letter of acceptance (or equivalent document) or contract), to the date of receipt of the subsequent monthly payments to be equal to the total amount of such expenses, i.e. the date on which the net cash flows generated from the relevant project becomes positive
“U.S. Securities Act”	United States Securities Act of 1933, as amended, modified and supplemented from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the paragraph headed “How to apply for the Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares” in this prospectus

DEFINITIONS

“**YELLOW** Application Form(s)” the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

“%” per cent.

GLOSSARY OF TECHNICAL TERMS

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

“CAGR”	compound annual growth rate
“contract sum”	the price payable to the party carrying out the works, which under some contracts may be subject to adjustment in accordance with their respective terms
“GDP”	gross domestic product
“HIBOR”	Hong Kong Inter-bank Offered Rate, being the annualised rate charged for inter-bank lending on HK\$ denominated instruments, for a specified period
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management system requirements published by ISO
“main contractor”	a contractor appointed by the project owner which generally oversees the progress of the entire project and delegates different contract works to other contractors
“prime rate”	the rate announced from time to time by the relevant bank as its prime rate for lending HK\$
“sub-contract”	a contract between a contractor and a sub-contractor to carry out all or part of the works which the contractor is obliged to complete under its contract with its customer
“sub-contractor”	a lower-tier contractor employed by the main contractor or another contractor to carry out part of the contract works
“variation order(s)”	such additional works, omissions or changes requested by the customer as variations or supplements to the specifications in the original contract

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections headed “Summary”, “Risk factors”, “Future plans and use of proceeds”, “Financial information”, “Industry overview” and “Business” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in the section headed “Risk factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “will”, “expect”, “anticipate”, “aim”, “estimate”, “intend”, “plan”, “believe”, “potential”, “continue”, “is/are likely to” or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Financial information” with respect to trends in prices, volumes;
- operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical fact.

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

FORWARD-LOOKING STATEMENTS

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

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

INFORMATION ON THE SHARE OFFER AND UNDERWRITING

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

The Listing is sponsored by Lego Corporate Finance Limited. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement. The Share Offer is managed by the Joint Global Coordinators.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

SHARE REGISTERS AND STAMP DUTY

All Offer Shares sold pursuant to applications made in the Hong Kong Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our Company's principal share register will be maintained by our Company's principal share registrar in the Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the 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 if joint Shareholders, to the first-named Shareholder therein in accordance with the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the subscription for, purchase, holding, disposing or dealing in our Shares. It is emphasised that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

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

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional adviser.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on 17 July 2020.

Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 368.

EXCHANGE RATE

Unless otherwise stated, the conversion of US\$ into HK\$ in this prospectus is based on the approximate exchange rate of US\$1.00 to HK\$7.80. Such conversions shall not be construed as representations that amounts in HK\$ will be or may have been converted into US\$ at such rates or any other exchange rates, or vice versa.

ROUNDING

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus and related Application Forms, the English version of this prospectus and related Application Forms 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.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

We derived most of our revenue from our five largest customers, in particular, NW Group and SHK Group

For the years ended 31 December 2017, 2018 and 2019, we derived revenue of approximately HK\$487.9 million, HK\$732.5 million and HK\$852.7 million from our five largest customers, representing approximately 88.3%, 95.4% and 97.0% of our total revenue, for the corresponding years, respectively, while the revenue contributed by NW Group and SHK Group accounted for approximately HK\$159.5 million, HK\$363.6 million and HK\$245.1 million, representing approximately 28.9%, 47.3% and 27.9% of our total revenue, and approximately HK\$140.3 million, HK\$225.9 million and HK\$402.1 million, representing approximately 25.4%, 29.4% and 45.7% of our total revenue for the corresponding years, respectively. We do not enter into any long-term agreements with any of these major customers as the contracts are principally awarded to us on a project-by-project basis through tender submission. We expect to continue to derive a significant amount of our revenue from our major customers in the near future. We cannot assure you that we will be able to maintain our relationships with our major customers or secure new projects from them. Our results of operations and financial conditions may be materially and adversely affected if we are unable to secure new projects from our major customers or fail to procure similar level of business from new customers on comparable commercial terms to offset the loss of revenue from our major customers.

In addition, our business, financial condition and results of operations also depend on the financial condition and commercial success of our major customers. We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If any of our major customers shall become unwilling or unable to make payments, we are unable to receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

Our revenue is mainly derived from projects which are non-recurring in nature and any decrease in the number of projects and/or the demand of our services would affect our operations and financial results

Our revenue is mainly derived from projects which are non-recurring in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through tenders. We cannot assure you that we will be invited to submit tenders for new projects or our submitted tenders will be selected by customers. If we are unable to secure new projects in the future, there would be a decrease in the number of projects and our operations and financial results would be adversely affected.

RISK FACTORS

For the years ended 31 December 2017, 2018 and 2019, our tender success rate was approximately 9.3%, 17.8% and 8.7%, respectively. For further details of our tender success rates, please refer to the paragraph headed “Business — Sales and marketing — Tender success rate” in this prospectus. For the years ended 31 December 2017, 2018 and 2019, we derived (i) approximately HK\$546.3 million, HK\$759.6 million and HK\$874.5 million, of revenue from the fitting-out service contracts; and (ii) approximately HK\$6.4 million, HK\$8.6 million and HK\$4.9 million of revenue from the repair and maintenance service contracts, respectively. Demand for our services may be adversely affected by external factors beyond our control, such as changes in our customers’ preferences and general market conditions. We cannot assure you that we will be able to secure new contracts with existing or new customers in the future.

Furthermore, the number, type and scale of fitting-out projects awarded to us may vary significantly from period to period. Hence, our revenue and profit margin may vary from project to project. Our revenue and profit margin may also depend on other factors such as (i) terms of the contracts; (ii) project duration; (iii) how efficient the works are implemented; (iv) variation orders; (v) our ability to control the project cost and progress; (vi) nature of fitting-out works; (vii) labour resources on the market; and (viii) general market conditions. As such, we cannot assure you that our future projects may continue to be profitable and our revenue and profit margin may fluctuate from time to time.

If there is a significant decrease in the number and/or size of our fitting-out projects or if we are unable to secure projects with a reasonable profit margin in the future, our financial position and results of operations may be materially and adversely affected.

We may face liquidity risk in relation to working capital requirements associated with undertaking contract works and potential mismatch in time between receipt of progress payments from our customers and payment to our suppliers and sub-contractors

We may experience net cash outflow at the early stage of a project as we are generally required to bear Upfront Costs before we receive progress payments from our customers. Such Upfront Costs are usually required to be paid from our available financial resources before we receive enough payments from our customers to cover such costs as our customers may not usually make advance payments and they usually make progress payments according to our work progress. We cannot guarantee that our customers will pay on time and in full, or at all. Any failure by our customers to make payment on time and in full may lead to mismatch on cash flow which may adversely and materially affect our cash flow and financial performance. In addition, where our contracts provide that our customers shall be entitled to retention money (in general, only SHK Group does not require retention money), our customers may withhold up to 10% of each of our progress payment as retention money and subject to a maximum of 5% of the original contract sum, half of which will be released upon practical completion of a project, and the remaining will be released upon expiry of the relevant defects liability period or issuance of the certificate of making good defects. Accordingly, our cash flow typically turns from net cash outflows at the early stage of a project into accumulative net cash inflows gradually as the project progresses. This may result in a cash flow gap. If we fail to properly manage our liquidity position in view of such working capital requirements associated with undertaking contract works, our cash flows and financial position could be materially and adversely affected.

RISK FACTORS

Failure to obtain sufficient financing when required, at a reasonable cost or on reasonable terms may affect our ability to operate, maintain and grow our business

We require funding to operate our business and maintain optimum levels of working capital. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our operations. Historically, we have met our working capital and other liquidity requirements principally through a combination of cash generated from our operations and bank borrowings. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, bank borrowings, the net proceeds from the Share Offer as well as other external equity and debt financings as and when appropriate. However, our ability to obtain adequate debt financing on acceptable terms depends on several factors including our financial performance and the results of operations and compliance with the terms of our banking facility agreements as well as other factors beyond our control such as global, regional and local economic conditions, prevailing interest rates, any tightening of credit conditions and applicable laws and regulations. If we are unable to obtain sufficient financing when required, at a reasonable cost or on reasonable terms, or at all, our growth prospects and competitiveness may be adversely affected.

In addition, we may be subject to cash flow interest rate risk in relation to our Group's variable-rate bank borrowings and bank overdrafts. This may in turn negatively affect our financial condition and results of operations.

We had net cash used in operating activities for the year ended 31 December 2019 and we may not be able to obtain external financing on terms acceptable to us, or at all.

We recorded net cash used in operating activities of approximately HK\$58.3 million for the year ended 31 December 2019. Please refer to the paragraph headed "Financial information — Liquidity and capital resources — Cash flows — Cash flows in operating activities" in this prospectus for further information. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of receipts from our customers for our trade receivables. Negative operating cash flows may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all. If adequate funds are not available from external financing, whether on satisfactory terms or at all, we may be forced to delay or abandon our expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We recorded net current liabilities as at 30 April 2020 which could constrain our operational flexibility and adversely affect our ability to expand our business

As at 30 April 2020, we recorded net current liabilities of approximately HK\$31.0 million, which was mainly attributable to our Group declaring and paying a special dividend in January 2020 in the total sum of HK\$130.0 million out of the profits of our Group available for distribution to pay to Mr. Ng, out of which (i) approximately HK\$128.1 million in the form of species of the receivables of our Group by setting off with the corresponding amounts due from a Director, Success Base Group Holding and related companies; and (ii) the balance of approximately HK\$1.9 million be paid or settled as agreed between our Group and Mr. Ng. Our future liquidity and the repayment of our outstanding debt

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obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing. Our Group may continue to record net current liabilities in the future. Net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We expect that our profit and total comprehensive income for the year attributable to owners of our Company for the year ending 31 December 2020 will decrease as compared to that for the year ended 31 December 2019, and there may be uncertainties over our Group's financial performance for the year ending 31 December 2021.

We expect that our profit and total comprehensive income for the year attributable to owners of our Company for the year ending 31 December 2020 will decrease as compared to that for the year ended 31 December 2019 mainly attributable to (a) the increase in the administrative expenses due to the increase in the depreciation on plant and equipment and the increase in employee benefit expenses (including directors' emoluments); (b) the potential deterioration in our ability to collect trade receivables mainly due to undertaking more projects for customers other than NW Group as property developer and SHK Group; (c) the lower gross profit margins mainly due to undertaking more projects for customers other than NW Group as property developer and SHK Group; (d) the potential inability to materialise the forecasted revenue mainly due to potential project suspension caused by the outbreak of COVID-19, as evidenced from that caused by the two-week closure for four of our fitting-out project worksites in early February 2020 as well as not being awarded our tendered projects as forecasted, in view of the relatively low tender success rate from 1 January 2020 and up to the Latest Practicable Date, more details of which are set out in the paragraph headed "Summary — Recent developments and no material adverse change — Our business and operations" in this prospectus; and (e) the potential deterioration in economic conditions in Hong Kong, and downturn in the property market and fitting-out works market. Based on the unaudited consolidated management accounts of our Group, apart from the Listing expenses, we recorded a decrease in revenue and a higher net loss for the four months ended 30 April 2020 as compared to the corresponding period in 2019. More details are set out in the paragraph headed "Summary — Recent developments and no material adverse change — Potential decrease in our profit and total comprehensive income for the year attributable to owners of our Company for the year ending 31 December 2020" in this prospectus.

There is no assurance that we will be able to generate more revenue in the second half of 2020 and the year ending 31 December 2021 due to the unpredictability amid the outbreak of COVID-19 and/or potential deterioration in economic conditions in Hong Kong. There is also no assurance that we will be able to collect all trade receivables in a timely manner, more details of which are set out in the paragraph headed "Risk factors — Risks relating to our business — We face risks in respect of the collectability of our trade receivables" in this prospectus. In the event that there is any default or delay in payment by customers or any failure in collecting trade receivables, the adverse impact on our business, financial position and results of operations could be materially augmented. As a result of the above factors, there may be uncertainties over our Group's financial performance for the year ending 31 December 2021.

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The amount of surety bonds we are required to provide may expose us to liquidity risk

During the Track Record Period, if we worked on fitting-out projects of customers other than NW Group as property developer and SHK Group, we were often required to provide surety bonds in the amount of certain percentage, usually equivalent to 10%, of the original contract sum, in favour of our customers, to ensure our due performance. As at the Latest Practicable Date, we had a total of 39 fitting-out projects on hand with an aggregate total contract sum of HK\$2,932.6 million, details of which are set out in the paragraph headed “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus, with outstanding amount of deposits pledged with the insurance companies amounting to approximately HK\$17.1 million to obtain surety bonds in order to secure our due and timely performance. We had also submitted tenders for fitting-out projects as at the Latest Practicable Date with customers which required us to provide surety bonds. For details, please refer to the paragraph headed “Business — Projects — Fitting-out projects — Details of fitting-out projects we had submitted tenders as at the Latest Practicable Date” in this prospectus. The amount of surety bonds to be obtained would amount to 10% of the original contract sum. We would be required to pledge our deposits with the bank representing the same amount of surety bonds to be obtained for the projects.

The surety bonds are generally issued by insurance companies and secured by deposits pledged with the insurance companies. Significant amount of cash deposits pledged may adversely affect our liquidity position. Further, if we fail to perform our obligations under contracts, the insurance companies will compensate our customers up to the amount of the surety bond on demand and in turn we will then become liable to compensate the insurance companies. In such circumstances, our business, financial condition and results of operations will be adversely affected.

The recent outbreak of COVID-19 worldwide may result in the slowdown of global economy, which may affect the number of new projects in the market to be awarded to us, recoverability of our trade receivables, increase our impairment losses and significantly and adversely impact our business operation and financial performance

Accordingly to the Frost & Sullivan Report, the recent outbreak of COVID-19 in Hong Kong since January 2020 has increased uncertainties to the economy in Hong Kong in 2020, which had already been weakened by social unrest since June 2019 and the US-China trade tension. For 2019 as a whole, real GDP in Hong Kong contracted by approximately 1.2%, being the first annual decline since 2009. Our Directors recognise that, if the outbreak of COVID-19 persists or intensifies, the economy in Hong Kong may be adversely affected. In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence new property projects, thus delaying or reducing the number of new projects to be awarded to us. Our projects on hand may also face material delays in work progress or even be cancelled. Furthermore, our customers may become unable to settle the payments due to us for our services rendered within the agreed schedule or at all. In such event, we may incur significant impairment loss for the outstanding payments owed to us by our customers. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

Health safety risks during the outbreak of COVID-19 may also lead to labour shortage, increase in wages of the workers, and interruption of our business operation, delaying the work progress of our projects as a result. There is no assurance that the workers or personnel of our Group, the main

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contractors or other sub-contractors working at the worksites would not be infected by COVID-19. In such event, the relevant workers or personnel would need to be quarantined and the fitting-out projects handled by them may be suspended or delayed as a result. Based on our discussion with the main contractors of our fitting-out works projects, if any personnel working in the worksite has been confirmed positive for COVID-19, the relevant main contractor(s), property developer(s) or ultimate customer(s) of our fitting-out works projects would consider suspending all works in the relevant worksite, including our fitting-out works, for at least two weeks. If such circumstances arise, our Directors consider that such suspension will, subject to its duration and frequency, delay our work progress and project timetable. As a result, we may have to pay liquidated damages or compensation to our customers according to the terms of the contracts if such delay is not accepted by the relevant customer. All of these will adversely affect our business operation and financial performance as a result. Our relationship with the relevant customers may also be adversely affected. Even if the spread of the current COVID-19 can cease, there is no assurance that another outbreak of COVID-19 or other disease outbreak will not happen in the future. In such event, our business operation and financial performance may be adversely affected.

Furthermore, with COVID-19 continuing to spread, there is no assurance that our suppliers would be able to source their materials and/or products and our sub-contractors would be able to provide labour or perform the services engaged, without delay or at all. We do not keep inventories of materials, and we may not be able to identify suitable alternative suppliers and/or sub-contractors on the same or similar terms or at all. Further, even if we could identify suitable alternative suppliers and/or sub-contractors, there can be no assurance that alternative suppliers and/or sub-contractors would not encounter similar difficulties in sourcing materials and/or products and/or providing labour and/or performing the services engaged on the same or similar terms or at all. In such event, our operation and financial results may be adversely affected. In consequence, we may not be able to fulfil our contractual obligations with our customers, which may result in loss of our contracts with them or we may be liable to pay damages or compensation to our customers for their loss suffered due to our delay or default. Our business relationship with such customers may also worsen.

Our revenue and profit margin are subject to fluctuations driven by variation orders, and we and our customers may take different views on the value of the variation orders, we may realise lower than anticipated profits or incur losses on contracts

Our customers may, in the course of project execution, place orders concerning variations to part of the fitting-out works that are necessary for the completion of the project. Such orders are commonly referred to as variation orders. For the years ended 31 December 2017, 2018 and 2019, our total revenue amounted to approximately HK\$552.7 million, HK\$768.1 million and HK\$879.4 million, of which our revenue recognised for variation orders amounted to approximately HK\$62.6 million, HK\$51.1 million and HK\$110.3 million, respectively. For further details on variation orders, please refer to the paragraph headed “Business — Operation procedures — Fitting-out services — Project implementation — Variation orders” in this prospectus.

Given the nature of our business, our revenue and profit margin are inherently subject to fluctuations driven by variation orders. Our revenue and profit margin is affected by the amount of variation orders requested by our customers and the timing of their requests from year to year. The amount and timing of variation orders vary depending on the practice and procedures of our customers, the complexity and scale of the variation orders and the number of variation orders involved. Our

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financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of fluctuation in the number and scale of variation orders. As a result, we cannot assure you that our revenue and profit margin in the future will remain at a level comparable to those recorded during the Track Record Period.

We and our customers may also take different views on the value of the variation orders, and the payment that we are entitled to. Our customers usually indicate to us the scope of variation orders to be performed without determining the value of the variation orders before we commence work on such variations. Where the works under the variation orders are the same or similar to the works prescribed in the contract, the value of the variation orders usually accord with the schedule of rates in the original contract. If there was no equivalent or similar items under the original contract for reference, we will estimate the value of the variation orders on a cost plus pricing model based on our experience on similar works and quotation from our suppliers and sub-contractors with a mark-up with reference to our previous projects with such customers, in accordance with our pricing strategy, further details of which are set out in the paragraph headed “Business — Sales and marketing — Pricing strategy” in this prospectus, and we will further agree on the value of the variation orders with our customers. The value of the variation orders is usually ascertained when we negotiate with our customers to conclude the final account. If we perform substantial amount of variation orders as requested by our customers with the values of such variation orders pending customers’ assessment, a relatively large amount of contract assets may result. We may not be able to reach an agreement with our customers for the full amount of the value of the variation orders we have performed, or at all. As set out in the paragraph headed “Financial information — Analysis of various items in the consolidated statements of financial position — Contract assets and contract liabilities” in this prospectus, as at the Latest Practicable Date, there were unbilled balances of our amounts due from customers for contract works as at 31 December 2017 and 2018 that were related to the value of variation orders we have performed but not assessed in full by our customers during final account negotiation. Moreover, out of the amounts due from customers for contract works of approximately HK\$115.6 million as at 31 December 2019, approximately HK\$78.6 million represented the value of variation orders we have performed but were pending customers’ assessment. We may not be able to reach an agreement with our customers on an amount of fees and charges that are sufficient to recover our costs incurred or provide us with a reasonable profit margin. Even when the customer agrees to pay for the works, we may be required to fund the cost of such works for a lengthy period of time until the payment application is approved and funded by our customer. The timeframe of customers’ assessment on the values of the variations orders performed by us and the outstanding payments payable to us are beyond our control.

During the Track Record Period, one completed project recorded a loss of approximately HK\$9.0 million as we were not able to recover our costs incurred due to variation orders. The total contract sum of such project amounted to approximately HK\$25.0 million. For further details about this loss making project, please refer to the paragraph headed “Business — Sales and marketing — Pricing strategy” in this prospectus. We cannot assure that our future projects will not be loss making. If any of our existing or potential projects are loss making in the future or we are not able to recover part of or the whole of the costs incurred for variation orders, our operating results and financial performance will be adversely affected.

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The amount of revenue that we are able to derive from a project may be lower than the awarded contract sum due to contract adjustments and recoverability of contract assets

The amount of revenue that we are able to derive from a project may be lower than the awarded contract sum due to contract adjustments subsequently made by our customers during the course of the project which result in the cancellation of certain provisional works set out in the relevant tender document or contract. As such, there is no assurance that the amount of backlog of our projects on hand will materialise in full eventually. In the event that contract adjustments are made to our projects on hand resulting in a material drop of our backlog, our liquidity and financial performance may be materially and adversely affected.

Contract assets represent works performed but not yet certified and billed. There is no assurance that we will be able to bill the amount of contract assets based on our estimated timeline or to recover the full amount of contract assets. In the event that we are unable to recover the full amount of contract assets in a timely manner, our business and financial performance may be materially and adversely affected.

We face risks in respect of the collectability of our trade receivables

Our trade receivables mainly represent the billed amount of progress payment receivables from our customers for the contract works performed by us. During the Track Record Period, we generally received payment from our customers around 30 days (for NW Group as property developer and SHK Group only) and around 90 days (for the other customers) after we make payment application. However, there can be no assurance that our customers will settle our payments on time and in full. As at 31 December 2017, 2018 and 2019, our trade receivables amounted to approximately HK\$39.3 million, HK\$33.2 million and HK\$131.1 million respectively. There may be potential deterioration in our Group's ability to collect trade receivables given our plan to expand our market share through undertaking more large-scale fitting-out projects with contract sum of HK\$50.0 million or above per project for customers other than NW Group as property developer and SHK Group to diversify our customer base so as to reduce our customer concentration risk.

During the year ended 31 December 2019, a provision for impairment of trade receivables of HK\$950,000 has been made according to HKFRS 9 based on shared credit risk characteristics and the days past due. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial position.

We prepare our tender/quotation based on a cost-plus pricing model with a mark-up, and there is no assurance that the actual time and costs incurred by us would match our initial estimate

We prepare our tender/quotation based on a cost-plus pricing model with a mark-up. For details of the factors we consider when we make our cost estimates, please refer to the paragraph headed "Business — Sales and marketing — Pricing strategy" in this prospectus. We cannot assure you that the actual amount of time and costs during the performance of our projects will not exceed our estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including (i) delays by our suppliers in delivering the materials; (ii) delays or defects in the work provided by our sub-contractors; (iii) departure of our key personnel; (iv) disputes with our customers or suppliers; (v) disputes with other parties involved in the projects; (vi) changes in market conditions; (vii) cost escalation of materials and labour over the term of a contract; (viii) additional

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variations (such as changes to the service plans requested by our customers or requirements of technical services); and (ix) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profit to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

Our historical growth rate, revenue and profit margin may not be indicative of our future financial performance

For the years ended 31 December 2017, 2018 and 2019, our revenue amounted to approximately HK\$552.7 million, HK\$768.1 million and HK\$879.4 million, respectively. For the same period, our gross profit amounted to approximately HK\$81.9 million, HK\$107.7 million and HK\$119.7 million, respectively, whereas our gross profit margin was approximately 14.8%, 14.0% and 13.6%, respectively. For a detailed discussion of our results of operation, please refer to the section headed “Financial information”.

Our growth rate, revenue and profit margin during the Track Record Period may not be indicative of our future financial performance, may not have any positive implication or may only reflect on our past performance under certain conditions. Our future performance will depend on, among others, our ability to secure new contracts, control our costs, market conditions in Hong Kong, and competition among contractors. All these may reduce the number of projects awarded to us and/or limit profit margin of our projects. We plan to expand our market share through undertaking more large-scale fitting-out projects with contract sum of HK\$50.0 million or above per project for customers other than NW Group as property developer and SHK Group to diversify our customer base so as to reduce our customer concentration risk. During the Track Record period, the gross profit margin of our completed fitting-out projects of customers other than NW Group as property developer and SHK Group was lower by approximately two percentage points than that of our completed fitting-out projects of NW Group as property developer and SHK Group, more details of which are set out in the paragraph headed “Business — Business strategies — Expand our market share through undertaking more large-scale fitting-out projects for different customers to diversify our customer base” in this prospectus. Our plan to undertake more large-scale fitting-out projects with contract sum of HK\$50.0 million or above per project for customers other than NW Group as property developer and SHK Group may cause our overall gross profit margin to decrease in the future.

In addition, our profit margin may also fluctuate from period to period due to factors such as (i) our ability to accurately estimate our costs when submitting a tender; (ii) the complexity and size of the project; (iii) sub-contracting charges; and (iv) our pricing strategy. We cannot assure you that our profit margin will remain stable in the future and that we can maintain our current level of performance.

Non-performance, sub-standard and delayed performance, legal non-compliance and unavailability of our sub-contractors may materially and adversely affect our operation and profitability

We would sub-contract certain activities in the projects to other sub-contractors. For the years ended 31 December 2017, 2018 and 2019, our sub-contracting charges amounted to approximately HK\$248.1 million, HK\$352.9 million and HK\$450.1 million, respectively. We maintain an internal list

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of approved sub-contractors, which is updated on an ongoing basis. For details of our reasons in respect of such outsourcing and our selection and control system over our sub-contractors, please refer to the paragraph headed “Business — Sub-contracting” in this prospectus.

We cannot assure you that the quality of works completed by our sub-contractors can always meet our customers’ requirements. Sub-contracting exposes us to risks such as non-performance, sub-standard and delayed performance by our sub-contractors, for which we may not be able to rectify the sub-standard works or engage another sub-contractor in time or at all. Any material non-performance, sub-standard performance or delayed performance of our sub-contractors could result in deterioration of our service quality or unexpected delays in our scheduled completion time or even our ability to complete our projects, which could in turn damage our reputation, and potentially expose us to liability under the main contracts with our customers.

Our sub-contractors are required to comply with the relevant laws, rules and regulations. If our sub-contractors violate any laws, rules or regulations, we may be subject to prosecutions by the relevant authorities. Our operations and hence our financial position may thereby be adversely affected.

In addition, we cannot assure you that we can secure suitable sub-contractors when required or obtain acceptable fees and terms of service with our sub-contractors, as these may be affected by factors beyond our control, such as the number of available or on-going projects in the market or pricing policy and business strategies of our sub-contractors. In such event, our operation and profitability may be adversely affected.

Shortage or delay in delivery of materials and defective materials supplied by our suppliers may materially and adversely affect our operation and profitability

Our business depends, to a certain extent, on receiving efficient sourcing from suppliers and delivery of materials on a timely basis. If there is any shortage of materials, material delay in delivery of materials or defective materials supplied by our suppliers, we may fail to complete our projects on time or at all. As a result, we may be required to compensate our customers’ losses. Further, even if we could identify suitable alternative sources, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our operation and financial results may be adversely affected.

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

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

The standards of restrictions and conditions imposed by the relevant authorities on qualifications and registrations may vary from time to time without advance notice and we cannot assure that we will be able to duly comply with such changes in a timely manner. If we fail to comply with any of these restrictions or conditions, our qualifications and registrations could be temporarily suspended or even revoked, or the renewal of our qualifications and registrations upon expiry of the terms may be delayed

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or refused. Furthermore, these qualifications or registrations are valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant authorities. In case we fail to apply for their renewal in a timely manner when they fall due or the relevant authorities take out disciplinary actions against us for any non-compliance in the future, the renewal of our qualifications or registrations upon expiry of their terms may be delayed or even refused. Losing any of these registrations, licences and certifications may result in suspension of our operations, which would have a direct material impact on our business operations and financial conditions.

We cannot control the extent to which our industry peer may adopt a similar business name as any of the members of our Group which may have a material adverse impact on our Group's business operations

There was a Hong Kong company named RNB Engineering Hong Kong Limited with a Chinese name 創基工程香港有限公司 which closely resembles the Chinese name of the operating subsidiary of our Group which is 創基工程有限公司. Such company was never a member of our Group. In April 2017, we published announcements in some major local newspapers to clarify that we were not related to the negative publicity of such company. We cannot control the extent to which our industry peers may adopt similar business names as any of the members of our Group. Any negative publicity, claims, litigations, disputes or complaints against industry peers adopting similar business names as ours may easily cause confusion and misperception which may have a material adverse impact on our Group's business operations.

We rely on certain key management personnel for our operations

Our success and growth has been, and will continue to be, relying heavily on certain key management personnel, in particular, Mr. Ng, Mr. Leung Man Chun and Mr. Choi Yuk Ming, who have extensive experience in the fitting-out industry in Hong Kong. Please refer to the section headed "Directors and senior management" in this prospectus for further details.

Our Directors believe that our key management personnel possess the relevant knowledge, experience and skills, especially in their familiarity with our business, relationships with our customers and expertise and therefore is essential to us in carrying out our business and future plans. The expertise of our project management staff is crucial in improving our overall project management and implementation in a cost-effective manner so as to improve our profit margin. Our success and growth also depends on our ability to identify, hire, train and retain suitable skilled and qualified employees. We cannot assure you that we will be able to attract and retain our key management personnel or project management staff. Any unanticipated departure of members of the management team without appropriate replacement found in a timely manner may impact, among others, our ability to gain tenders, provide accurate estimation of costs and manage our projects and therefore may have a material adverse effect on our business operations and profitability.

Project delays may materially affect our reputation and financial position

Our projects are generally subject to specific completion schedule requirements with liquidated damages levied against us if we fail to meet the schedule. Liquidated damages are typically levied at an agreed rate of the original contract sum for each day of delay, in which the delay is caused by us. The actual time to complete a project may be adversely affected by various factors which are beyond our control, including typhoon and other natural disasters, shortage of materials and labour, additional

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variations to the original project plan as a result of additional requests from our customers or technical needs, disputes with our sub-contractors, accidents and other unforeseen problems or circumstances. We cannot assure you that the time extension, if granted by our customers, will be sufficient for the actual work to be carried out.

We had not been required to pay any material liquidated damages in our projects undertaken during the Track Record Period and up to the Latest Practicable Date. We cannot assure you that we will not be charged with any liquidated damages in the future. Any failure to meet the time requirements in our contracts could lead to significant liquidated damages payable by us, which may materially and adversely affect our reputation and financial position.

We may be liable for any defects in our projects

We generally provide a 12 to 24 months' defects liability period for projects completed by us, during which we are responsible to rectify work defects. If any defect is claimed under the defects liability period, we would be responsible to rectify the defects or request our sub-contractors to do so. We do not maintain any defects liability insurance. We may incur substantial costs to rectify defects during the defects liability period, which may result in our profitability being adversely affected.

Our business operation may subject to seasonality which could cause our results of operations to fluctuate

Our business operation may subject to seasonal fluctuations during the year. During the Track Record Period, we recorded relatively higher revenue in the months preceding the Chinese New Year and relatively lower revenue during the month of the Chinese New Year. For more details, please refer to the paragraph headed "Business — Seasonality". As such, any comparison of our results of operation between different periods within a single financial year of our Group may not be meaningful and should not be relied on as indicators of our performance.

We may not be able to implement our business strategies and future plans successfully

Whether we can successfully implement our business strategies and future plans as described in the section headed "Future plans and use of proceeds" in this prospectus is based on current estimates and assumptions and depends on a number of factors including the availability of funds, market competition and our ability to retain and recruit competent employees. Some of the factors are beyond our control and by nature, are subject to uncertainty, such as general market conditions in Hong Kong and changes in government policy or regulatory regime of the fitting-out industry in Hong Kong. We cannot assure you that we can implement our business strategies and future plans successfully. If we fail to do so, our profitability and prospects may be materially and adversely affected.

Disputes, complaints, legal and other proceedings arising from our operations may affect our Group's business, operations and financial results

As a fitting-out contractor, it is common to receive claims in respect of various matters from our customers, suppliers, sub-contractors, workers and other parties in connection with our projects for various reasons from time to time. Such disputes may relate to late completion of works or delivery of sub-standard works, late or insufficient payment and claims in respect of personal injuries and labour compensation in relation to the works.

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We cannot assure you that we can resolve all these disputes by way of negotiation and/or mediation with the relevant parties. If we fail to resolve the disputes, it may result in legal and other proceedings against us, which may lead to heavy legal costs and significant damages if we fail to obtain favourable outcome in such proceedings. The costs incurred and the compensation or fine payable in relation to these claims, disputes or legal proceedings may not be covered by our insurance policies or insurance policies maintained by our main contractors. These proceedings can be time-consuming, expensive and may divert the attention of our Group's management and other human resources in dealing with these proceedings which may adversely affect our operations and financial results.

Our Group's operations may be affected by inclement weather conditions, operational risks, health epidemic or other outbreaks, natural disasters or other acts of God which are beyond our control

Our business operations could be affected by weather conditions. If inclement weather conditions persist, we may be prevented from performing our works or have to halt operations, which may in turn reduce our revenues and profitability. In addition, we are subject to other operational risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the worksites. Besides, our business is subject to outbreak of a health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS) or coronavirus, or other outbreaks, natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers and sub-contractors. For example, the outbreak of health epidemic or other outbreaks could cause cancellation/suspension of projects and/or shortage of labour/materials, which might severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees or employees of our sub-contractors were suspected of contracting or contracted an epidemic disease, since this could require us and our sub-contractors to quarantine some or all of these employees and disinfect our worksites and facilities used for our operations. Our revenue and profitability could also be materially reduced to the extent if any health epidemic or other outbreaks, or natural disasters harm the overall economy in Hong Kong.

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

In the course of our operations, we require our employees, direct labour and sub-contractors (and their workers) to follow and implement all our safety measures and procedures. We monitor and supervise closely our employees, direct labour and sub-contractors (and their workers) in the implementation of all such safety measures and procedures during execution of works. However, there can be no assurance that there will not be any violations of rules, laws or regulations or breach of safety measures and procedures imposed by our Group on the part of the employees, direct labour and sub-contractors (and their workers), and accidents may still occur at the worksites even though our Group has put in place certain safety measures and procedures. In the event of any personal injuries, property damage or fatal accidents, litigation may arise which may adversely affect our Group's reputation and financial position to the extent not fully recoverable from our insurance policies. They may also cause our relevant registration, licence and/or certifications to be suspended or not renewed.

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Our current insurance coverage may not be sufficient to cover all losses or potential claims that we may be exposed to in the future and the insurance premium may increase

During the Track Record Period, we generally maintained employee's compensation insurance for our operation. There is no assurance that the current levels of insurance maintained by us are sufficient to cover all potential risks and losses. The coverage may not be sufficient and our Group may still be liable for losses or potential claims which are not insured adequately or at all. Should any significant property damage or personal injury occur in the worksites or to the employees due to accidents, natural disasters, or similar events which are not wholly or sufficiently covered by insurance, our Group's business may be adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

Further, the insurance premium payable by us depends on various factors, including the scope and contract sum of the projects undertaken by us and our insurance claim track record. There is no assurance that the insurance premium payable by us will not increase or the insurance coverage will not be reduced in the future. If we were held liable for uninsured losses, or the amounts of claims for insured losses exceed the limits of our insurance coverage, or the insurance premium payable by us increases significantly, our business, operating results and financial conditions may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry

According to the Frost & Sullivan Report, the fitting-out industry in Hong Kong is highly fragmented and competitive with a large number of market participants. With reference to the statistics from Construction Industry Council as of December 2019, there are 729 market participants providing fitting-out services in Hong Kong. Due to the large number of competitors and many of them may have more resources, longer operating histories, stronger relationships with customers and reputable brand names, we may face significant downward pricing pressure thereby reducing our profit margin. We cannot assure you that our profit margin will not decline as a result of the price pressure. If we cannot adapt effectively to market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our business may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts. If we fail to maintain our competitiveness in the future, our business, financial condition and results of operation may be materially and adversely affected.

Our performance may depend on the availability of construction projects which may be affected by government policies

According to the Frost & Sullivan Report, the future growth and level of profitability of the fitting-out industry in Hong Kong depend primarily upon the continued availability of construction projects. Our operations and management are currently located in Hong Kong. We provide fitting-out services mainly for residential properties and commercial properties. If the land supply in Hong Kong is reduced, the property developers may have less land for construction, the demand for fitting-out works in Hong Kong may deteriorate, which in turn adversely affects our operations and profitability.

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The fitting-out industry in Hong Kong has been facing the problem of escalating labour costs and labour shortage

According to the Frost & Sullivan Report, one of the major threats in the fitting-out industry in Hong Kong is labour shortage which is attributable mainly to the regional aging problem and the lack of skilled talent. We generally compete with similar businesses for manpower. Due to the labour shortage, we have to retain our labour by increasing the wages. According to the Frost & Sullivan Report, the average daily wages of workers in the fitting-out industry in Hong Kong increased from approximately HK\$1,091.5 per day in 2014 to approximately HK\$1,317.4 per day in 2019, representing a CAGR of approximately 3.8%. It is expected that the average daily wages of workers in the fitting-out industry in Hong Kong will continue to grow at a CAGR of 2.0%, from 2020 to 2024. Accordingly, our sub-contracting charges including labour costs of our sub-contractors may escalate. We usually factor in the expected increase in the labour cost when we submit our tender. If labour costs in Hong Kong keep increasing beyond our expectation, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions. In addition, if we or our sub-contractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with our existing or future projects, we may not be able to complete our projects on time, resulting in our liability on liquidated damages and/or compensation for financial losses of other parties.

The fitting-out industry in Hong Kong has been facing the problem of rising costs of materials

According to the Frost & Sullivan Report, the average prices of most of the materials we applied in provision of fitting-out works have shown an increasing trend from 2014 to 2019 due to the strong demand from the construction industry in Hong Kong. If the costs of materials keep increasing, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

Industrial actions or strikes may affect our business

Industrial actions or strikes of fitting-out workers may disrupt the project progress. During the Track Record Period, our projects did not encounter any industrial action or strike. However, there is no assurance that industrial actions or strikes will not be launched in the future. Such industrial actions or strikes may adversely affect our business performance and hence the profitability and results of our operation. Any delays in the completion of our works caused by such actions may impact our likelihood of winning future tenders as it is a factor affecting our customers' decisions in awarding tenders.

Any future changes in existing laws, regulations and government policies, including but not limited to the introduction of more stringent laws and regulations on licensing, environment protection, labour safety, etc. may cause us to incur substantial additional expenditure

Many aspects of our business operation are governed by various laws and regulations and government policies. There is no assurance that we will be able to respond to any such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operation. If there are any changes to and/or imposition of the requirements for qualification in the fitting-out industry in relation to environmental protection and labour safety, and we fail to meet the new requirements in a timely manner or at all, our business operation will be materially and adversely affected.

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RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Conducting business in Hong Kong involves certain political risks

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems”. Any change of such political arrangements may have an impact on the economy in Hong Kong, thereby directly affecting our Hong Kong operation. Our business, financial condition and results of operation may as a result be materially and adversely affected.

Our financial performance may be adversely affected by any downturn in the Hong Kong market

During the Track Record Period, our revenue was solely derived from our operation in Hong Kong. We specialise in providing fitting-out services to residential properties and commercial properties in the private sector in Hong Kong. Any unforeseen circumstances, such as natural disasters, economic recession, outbreak of an epidemic and any other incidents in Hong Kong may hinder the economic growth in Hong Kong, thereby materially and adversely affecting our business, financial condition and results of operation.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

There has not been any prior public market for our Shares and an active trading market may not develop

An active trading market for our Shares may not develop and the trading price of our Shares may fluctuate significantly. Prior to the Share Offer, there has been no public market for our Shares. The Offer Price was the result of negotiation between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may not be indicative of the price at which our Shares will be traded following completion of the Share Offer. In addition, we cannot assure you that an active trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of our Shares will not fall below the Offer Price.

Shareholders’ interests may be diluted as a result of additional equity financing or additional Shares being issued by us in the future

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

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

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Since there will be (i) a gap of several days between the closing of application lists and the Price Determination Date; and (ii) a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price

There will be (i) a gap of several days between the closing of application lists and the Price Determination Date; and (ii) a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price. The initial price to the public of our Shares sold in the Share Offer is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

The trading volume and price of our Shares may fluctuate. Further, any disposal of a substantial number of Shares by our Controlling Shareholders in the public market may adversely affect market price of our Shares

The trading volume and price of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, announcements of business development, strategic alliances or acquisitions, new projects, industrial or environmental accidents suffered by us, loss of key personnel, changes in ratings by financial analysts and credit rating agencies or litigation may cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

Further, we cannot assure you that our Controlling Shareholders will not dispose of, in part or in whole of, their Shares following the expiration of their respective lock-up periods after the Listing. We cannot predict the effect, if any, of any future sale of our Shares by any of our Controlling Shareholders on the market price of the Shares. Sale of our Shares by any of our Controlling Shareholders may materially and adversely affect the prevailing market price of our Shares.

The Joint Global Coordinators are entitled to terminate the Underwriting Agreements

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

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Difficulties in enforcing Shareholder rights due to difference in jurisdictions

Our Company is an exempted company incorporated in the Cayman Islands with limited liability. Our corporate affairs are governed by, among others, the Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of our Shareholders to take action against our Directors, action by minority Shareholders and the fiduciary responsibilities of our Directors to our Company are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

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

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

RISKS RELATING TO THIS PROSPECTUS

We cannot assure you that we will declare or distribute any dividend in the future

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. We cannot assure you that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Certain facts, statistics and data contained in this prospectus have not been independently verified and may not be reliable

Certain facts, statistics and data in this prospectus are derived from various sources including various official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information

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is false or misleading or that any fact has been omitted rendering such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers and therefore, none of them makes any representation as to the accuracy or completeness of such facts, statistics and data. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports

There may be press and media coverage regarding our Group or the Share Offer, which may include certain events, financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, our Group disclaims responsibility for them. Accordingly, investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminologies such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “may”, “ought to”, “should” or “will” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are beyond our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Ng Chi Chiu (吳志超)	Flat E, 10/F, Block 20 Tropicana 7, Dynasty Heights 2 Yin Ping Road Beacon Hill, Kowloon Hong Kong	Chinese
Ms. Zhao Haiyan Chloe (趙海燕)	Flat E, 10/F, Block 20 Tropicana 7, Dynasty Heights 2 Yin Ping Road Beacon Hill, Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Chan Ming Yim (陳銘嚴)	Flat 2110, 21/F, Block B Kornhill 25–27 Hong Shing Street Quarry Bay Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Ho Chung Tai Raymond (何鍾泰)	Flat C, 12/F Perth Apartments 27 Perth Street Ho Man Tin, Kowloon Hong Kong	Chinese
Mr. Yip Chun On (葉俊安)	Flat 515, 5/F, Block G Kornhill 5 Hong Shing Street Quarry Bay Hong Kong	Chinese
Prof. Chau Kwong Wing (鄒廣榮)	Flat B, 5/F, Block 2 Pine Court 23 Sha Wan Drive Pok Fu Lam Hong Kong	Chinese

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Lego Corporate Finance Limited

A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Room 1601, 16/F, China Building

29 Queen's Road Central

Central

Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Lego Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO

Room 301, 3/F, China Building

29 Queen's Road Central

Central

Hong Kong

Business Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

20–21/F, 83 Queen's Road East

Wanchai

Hong Kong

Joint Bookrunner and Joint Lead Manager

HK Monkey Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO

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89 Queensway

Admiralty

Hong Kong

Joint Lead Managers

China Tonghai Securities Limited

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

18/F–19/F, China Building

29 Queen's Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Orient Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO

Room 3101, 31/F
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168–200 Connaught Road Central
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Realord Asia Pacific Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO

Suite 2402, 24/F, Jardine House
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Lee Go Securities Limited

A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO

Unit 02, 12/F, West Exchange Tower
322 Des Voeux Road Central
Hong Kong

Giraffe Capital Limited

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

3rd Floor
8 Wyndham Street
Central, Hong Kong

Maxa Capital Limited

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

Flat 08, 19/F
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Wanchai, Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Li & Partners

Solicitors, Hong Kong
22/F, World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to Cayman Islands law:

Conyers Dill & Pearman

Cayman Islands attorneys-at-law

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

As to Hong Kong law:

Deacons

Solicitors, Hong Kong

3-7/F and 14/F, Alexandra House

18 Chater Road

Central

Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building

Central

Hong Kong

Compliance adviser

Lego Corporate Finance Limited

Room 1601, 16/F, China Building

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Central

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Industry consultant

Frost & Sullivan Limited

Suite 1706

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8 Connaught Place

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Receiving Bank

DBS Bank (Hong Kong) Limited

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Central

Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Island	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter and principal place of business in Hong Kong	Flat A&B, 3/F Yin Da Commercial Building 181 Wai Yip Street Kwun Tong, Kowloon Hong Kong
Authorised representatives	Mr. Ng Chi Chiu (吳志超) Flat E, 10/F, Block 20 Tropicana 7, Dynasty Heights 2 Yin Ping Road Beacon Hill, Kowloon Hong Kong Mr. Shum Hoi Luen (沈凱聯) <i>Certified Public Accountant</i> Room 2205, 22/F On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong
Company secretary	Mr. Shum Hoi Luen (沈凱聯) <i>Certified Public Accountant</i> Room 2205, 22/F On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong
Members of the Audit Committee	Mr. Yip Chun On (葉俊安) (<i>Chairman</i>) Dr. Ho Chung Tai Raymond (何鍾泰) Prof. Chau Kwong Wing (鄒廣榮)
Members of the Remuneration Committee	Prof. Chau Kwong Wing (鄒廣榮) (<i>Chairman</i>) Mr. Yip Chun On (葉俊安) Dr. Ho Chung Tai Raymond (何鍾泰)
Members of the Nomination Committee	Mr. Ng Chi Chiu(吳志超) (<i>Chairman</i>) Prof. Chau Kwong Wing (鄒廣榮) Mr. Yip Chun On (葉俊安)

CORPORATE INFORMATION

Principal share registrar and transfer office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

DBS Bank (Hong Kong) Limited
11th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
8/F, Tower 2, HSBC Centre
1 Sham Mong Road
Tai Kok Tsui, Kowloon
Hong Kong

Website of our Company

www.superland-group.com

(information contained in this website does not form part of this prospectus)

INDUSTRY OVERVIEW

The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan and commissioned by our Group. Our Company believes that the sources of the information in this section are appropriate sources for such information, and has taken reasonable care in extracting and reproducing such information. Our Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer (for the avoidance of doubt, except Frost & Sullivan) and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE AND RELIABILITY OF INFORMATION

Our Group commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the fitting-out works market in Hong Kong, for use in this prospectus. Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of HK\$660,000 and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the fitting-out works market in Hong Kong. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on Frost & Sullivan's own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall fitting-out works market in Hong Kong:

- (i) The economy of Hong Kong is expected to grow at a steady rate supported by favourable government policies such as sustained housing development projects, among other factors; and
- (ii) The social, economic and political environment of the relevant markets is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the fitting-out works market in Hong Kong.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OVERVIEW OF MACROECONOMIC ENVIRONMENT IN HONG KONG

Nominal GDP and per capita GDP

The nominal GDP has recorded a steady growth from approximately HK\$2,260.0 billion in 2014 to approximately HK\$2,868.2 billion in 2019, representing a CAGR of 4.9%. The growth was primarily attributable to the increase in domestic demand and trade performance featured with recovery of economy in Europe and North America. According to International Monetary Fund (“IMF”), the nominal GDP of Hong Kong is expected to reach approximately HK\$3,272.6 billion by 2024, increasing at a CAGR of 4.6% during 2020 to 2024.

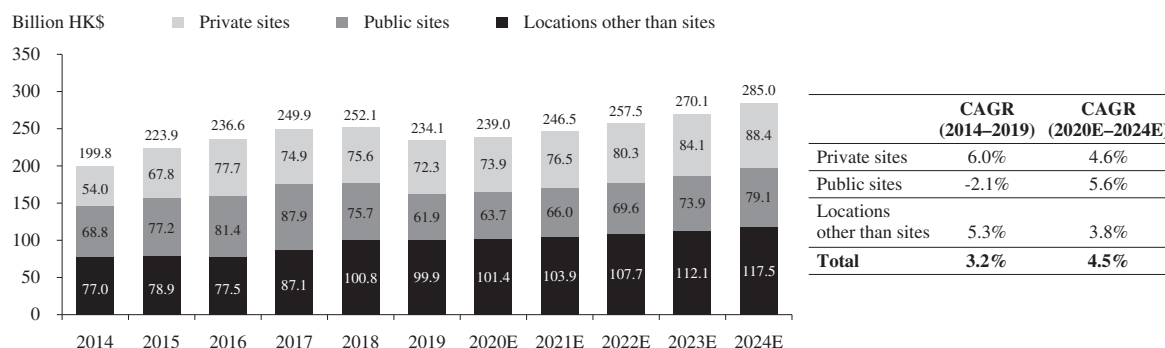
In line with the growth of nominal GDP, the nominal GDP per capita in Hong Kong has increased at a CAGR of 4.2% during 2014 to 2019, and is expected to increase at a CAGR of 3.7% during 2020 to 2024. Under the economic uncertainties resulted from impact of United States-China trade war and the pandemic of coronavirus disease in early 2020, which may affect the trade performance of Hong Kong, the growth rate of nominal GDP and GDP per capita is expected to be lower during 2020 to 2024.

INDUSTRY OVERVIEW

Gross value of construction works performed

During 2014 to 2019, the gross value of construction works performed by main contractors in Hong Kong has grown moderately at an overall CAGR of 3.2% from approximately HK\$199.8 billion in 2014 to approximately HK\$234.1 billion in 2019. The increase was mainly attributable to the establishment of several key infrastructure facilities and construction of both private and public residential buildings in the recent years. Going forward, as the Hong Kong Government is determined to increase the housing supply and community facilities, the gross value of construction works performed by main contractors is expected to attain approximately HK\$285.0 billion by the end of 2024, representing a CAGR of 4.5%.

Gross value of construction works performed by main contractors by sector (Hong Kong), 2014–2024E



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Construction expenditure of private sector in Hong Kong

Over the past six years, the private sector accounted for more than half of the total construction expenditure. According to Construction Industry Council, the construction expenditure in private sector has increased at a CAGR of 4.1% from approximately HK\$118.7 billion in 2013/14 to an estimation of approximately HK\$145.0 billion in 2018/19.

(in September 2018 prices) (Unit: HK\$ billion)	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19E	CAGR (2014–2019E)
Total	225.8	240.5	255.2	261.3	266.5	295.0	5.5%
Private sector	118.7	133.4	141.2	135.8	133.9	145.0	4.1%
Building works	50.7	53.0	63.1	63.3	64.0	64.0	4.8%
RMAA works	44.1	53.7	49.9	45.3	43.1	52.0	3.4%
E&M works	23.9	26.7	28.2	27.2	26.8	25.0	0.9%

Note: (i) Renovation, maintenance, alteration and addition (“RMAA”) works refer to the construction works at locations other than sites, including general trades and special trades. General trades include decoration, repair and maintenance, and construction works at minor work locations (such as site investigation, demolition, structural alteration and additional works) while special trades include installation and maintenance for carpentry, electrical equipment, ventilation, gas and water fitting, etc. (ii) Electrical and mechanical (“E&M”) works normally include design and value engineering, supply and installation, energy audit, testing and commissioning, operation and maintenance of the building facilities.

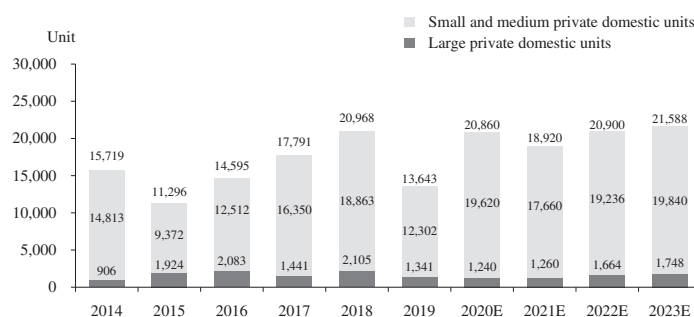
Source: Construction Industry Council, Frost & Sullivan

Completion of private domestic units

From 2014 onwards, the number of completed private domestic units has at a CAGR of -2.8% from 15,719 units in 2014 to 13,643 units in 2019 due to several residential properties were established in Pak Shek Kok, Tseung Kwan O and Ho Man Tin. With the sustained supply of small and medium sized private domestic units in Hong Kong, the amount of private residential units is anticipated to reach 21,588 units by the end of 2023, representing a CAGR of 2.3% in the coming four years.

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Completion of private residential units (Hong Kong), 2014–2023E



Note: (i) Small and medium private domestic units refer to those with saleable area less than 100m² (i.e. Class A, Class B and Class C flats), while large private domestic units refer to those with saleable area of 100m² and larger (i.e. Class D and Class E flats). (ii) The forecast private residential units completion was based on “Hong Kong Property Review 2019” published by Rating and Valuation Department and “Statistics on Private Housing Supply in Primary Market” as at September 2018 published by Transport and Housing Bureau. (iii) Latest available forecast figures recorded in 2023.

Source: Rating and Valuation Department of Hong Kong, Transport and Housing Bureau, Frost & Sullivan

In terms of saleable area of private domestic units, the number of completion of private domestic units of Class A apartments (with saleable area less than 40m²) has increased substantially at a CAGR of 25.1% from 2,160 units in 2014 to 6,622 units in 2019. The significant growth of Class A flats reflects the market trend of small-sized residential properties development in response to the rising housing demand in Hong Kong.

Completion of private domestic units by class (Hong Kong), 2014–2019

(Unit = number)	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Total	15,719	11,296	14,595	17,791	20,968	13,643	-2.8%
Class A flats (with saleable area less than 40m ²)	2,160	2,135	3,937	6,891	7,212	6,622	25.1%
Class B flats (with saleable area between 40m ² to 69.9m ²)	8,446	5,047	7,162	7,665	8,237	4,174	-13.2%
Class C flats (with saleable area between 70m ² to 99.9m ²)	4,207	2,190	1,413	1,794	3,414	1,506	-4.1%
Class D flats (with saleable area between 100m ² to 159.9m ²)	666	1,471	1,325	1,058	1,541	1,025	18.3%
Class E flats (with saleable area larger than 160m ² or above)	240	453	758	383	564	316	18.6%

Source: Rating and Valuation Department of Hong Kong, Transport and Housing Bureau, Frost & Sullivan

OVERVIEW OF FITTING-OUT WORKS MARKET IN HONG KONG

Introduction

Fitting-out service is defined as the process of making interior space suitable for occupation with the provision of necessary equipment and installations for new buildings and property projects. In general, fitting-out services include site preparation work, partitioning work, steel and metal work, woodwork, marble work, stone work, plastering and painting work as well as building services such as electrical, plumbing and drainage installation system, followed by instructions of specific interior design for partitioning, flooring, ceiling, electrical installation that meet environmental requirements for both newly constructed buildings and existing buildings.

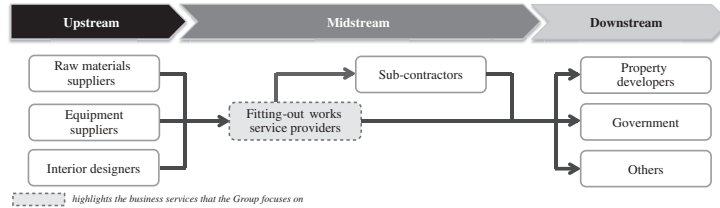
In Hong Kong, fitting-out works are usually carried out by property developers and respective main contractors in large-scale projects such as for hotels, residential properties and shopping malls. Meanwhile, there are also a great number of small-sized companies providing fitting-out services to the public within the relatively fragmented retail market. With the large-sized fitting-out service providers usually positioning themselves as a fully integrated solution provider, they often provide streamlined services from the perspective of design, project management, supervision, and implementation phase. On the other hand, the small-sized companies are usually involved in individual fitting-out projects, particularly in residential units. The demand for fitting out services is derived from construction industry, as fitting-out services are necessary for living and working spaces.

INDUSTRY OVERVIEW

Value chain analysis

The value chain of fitting-out market in Hong Kong consists of the upstream, midstream and downstream segments. Typically, fitting-out service providers, positioned in the midstream segment, receive the design layout of the interior spaces from designers and begin sourcing the required raw materials, such as marbles and granites, tiles, paints and aggregates from raw material suppliers.

Apart from the fitting-out service providers in the midstream of the value chain, there are a number of sub-contractors performing specific works, such as the installation of electrical services and mechanical services. Upon the completion of fitting-out works, the finished works will then be directly delivered to the downstream market players, such as property developers, household tenants, occupants, business entities or the Government.

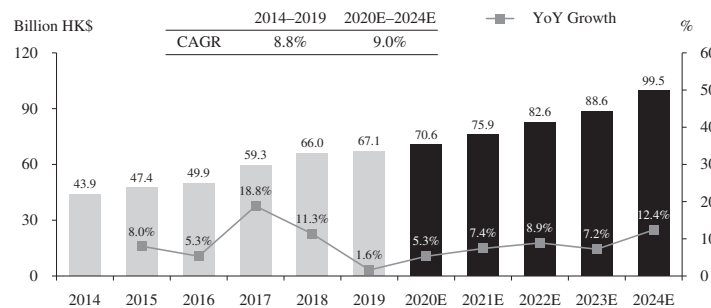


Source: Frost & Sullivan

Market size

Bolstered by the continuous expansion of the construction market in Hong Kong, coupled with expediting land planning and rising living standards and requirements of Hong Kong residents, the gross output value of fitting-out works market has increased at a CAGR of approximately 8.8% from approximately HK\$43.9 billion in 2014 to approximately HK\$67.1 billion in 2019. Underpinned by the 2018–2019 Budget (the “**Budget**”), the Government estimates about 100,000 units of public housing will be established in the following five years and about 97,000 units of first-hand private residential property will be supplied in the next three to four years. Furthermore, the continuous urban development plan will also foster the supply for residential units and demand for fitting-out works services in Hong Kong, which is expected to spur the growth of the fitting-out works market at a CAGR of approximately 9.0% and amount to approximately \$99.5 billion by the end of 2024.

Gross output value of fitting-out works market (Hong Kong), 2014–2024E



Source: Frost & Sullivan

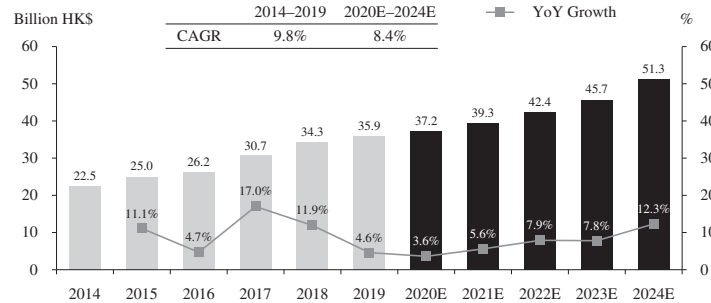
Market size by segmentation

Commercial fitting-out works in Hong Kong are mainly carried out in private offices and commercial premises. With the development of new business districts, such as the Energising Kowloon East development plan, which comprises the Kwun Tong Business Area and the Kowloon Bay Business Area, as well as the relocation of business offices to the eastern district of Hong Kong Island, such as Quarry Bay, has increased the demand for fitting-out works in the commercial sector. From 2014 to 2019, the gross output value of fitting-out works in the commercial sector increased from approximately HK\$22.5 billion to approximately HK\$35.9 billion in 2019, representing a CAGR of 9.8%. Moreover, the recent commercial land sales in November 2019 which the land located at Austin Road atop the West Kowloon High-Speed Rail Station is anticipated to further driven up the demand for fitting-out works services from the commercial

INDUSTRY OVERVIEW

sector, such as retail shops, offices and hotels in Hong Kong. On the other hand, it is expected that more Chinese enterprises and multinational enterprises will establish their office branch in Hong Kong in the future years, which will further drive the demand for fitting-out works in the commercial sector to grow at a CAGR of 8.4% in the next five years, reaching approximately HK\$51.3 billion by the end of 2024.

Gross output value of commercial fitting-out works market (Hong Kong), 2014–2024E

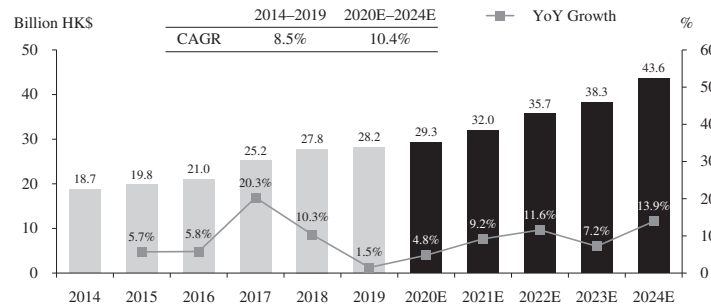


Note: Commercial sector refers to retail shops, offices, hotels, service apartments, shopping arcades and commercial clubhouses.

Source: Frost & Sullivan

In terms of residential sector, owing to the continuous completion of private residential buildings in Ho Man Tin, Yuen Long and Tseung Kwan O, the gross output value has grown from approximately HK\$18.7 billion in 2014 to approximately HK\$28.2 billion in 2019, representing a CAGR of 8.5%. Going forward, as highlighted by the Housing Authority, Rating and Valuation Department of Hong Kong and Transport and Housing Bureau, in order to increase the supply of residential buildings in Hong Kong, the annual number of actual production of public housing and completion of private residential units will remain at, on average, about 15,000 units and 20,000 units respectively in the coming years. Moreover, with the increasing supply of residential units and completion of several luxurious property development projects in Pak Shek Kok of New Territories, the gross output value of fitting-out works in the residential sector is anticipated to grow at a CAGR of 10.4%, attaining approximately HK\$43.6 billion by the end of 2024.

Gross output value of residential fitting-out works market (Hong Kong), 2014–2024E



Source: Frost & Sullivan

Market drivers and opportunities

Rising income level and living standards — According to the Census and Statistics Department of Hong Kong, the gross national income per capita has surged from approximately HK\$318,505 to approximately HK\$401,782 during 2014 to 2019 and the median monthly income of economically active domestic households has increased from HK\$27,000 in 2014 to HK\$35,500 in 2019, representing a CAGR of 4.8% and 5.6% respectively. The positive economic development in Hong Kong over the recent years has raised the living standards of Hong Kong residents, particularly middle-class income brackets and modern families, and they are willing to pay extra in order to pursue better living environment. Moreover, property developers have invested in the interior fit-out of their residential properties, such as clubhouses, so as to provide a lavish living environment and attract potential customers, which ultimately serves as an impetus to the overall development of fitting-out works market in Hong Kong.

Sustained housing development projects — The fitting-out works market in Hong Kong is associated with the development of local construction and property development market and the future growth and level

INDUSTRY OVERVIEW

of profitability of the fitting-out industry in Hong Kong depends primarily upon the continued availability of construction projects. Increasing the housing supply is one of the highlights outlined in the Chief Executive's 2018 Policy Address and 2019 Policy Address (“**Policy Address**”), the Hong Kong government will develop land resources in a persistent manner and introduce the “Land Sharing Pilot Scheme” to satisfy the short to medium-term housing demand. Furthermore, the revitalisation scheme for aged industrial buildings will be reactivated that incentives will be provided to owners who convert old industrial buildings to transitional housing within the revitalised buildings. The government has also adopted a multi-pronged strategy in which the Task Force on Land Supply has identified some 210 potential sites for housing purposes that would provide more than 380,000 of a combination of public and private residential units in the upcoming five to ten years in Hong Kong. Besides, New World Development, one of the largest property developer in Hong Kong, has announced its donation plan of 3 million square feet of farmland to Hong Kong government for the construction of public residential units in September 2019. As underpinned in the 2019 Policy Address, the government will accelerate the sale of existing 42,000 unsold flats under the Tenants Purchase Scheme and invest HK\$5 billion to boost the number of transitional housing projects in order to raise the housing units within the next three years. Coupled with a total of 75 urban redevelopment projects undertaken by the Urban Renewal Authority, as well as 15 potential residential sites that were identified in the Land Sale Programme 2019–2020, the sustained supply of newly constructed private residential units is expected to meet the housing demand within the community and subsequently drives the future demand for fitting-out works in Hong Kong.

Continuous sizeable residential and commercial projects — In order to accommodate the rapid urban growth and increasing population in Hong Kong, local property developers have actively purchased land sold by the Hong Kong government for residential and commercial uses. For example, in 2018, Sun Hung Kai Properties has won a government tender for the fourth plot of residential land at Kai Tak, which could be developed into a residential project with 648,000 square feet of gross floor area while Henderson Land, Wheelock, New World Development and Empire Group have also won the tender of three waterfront residential sites along the runway of the old airport at Kai Tak for further development in the future years. In addition, Sun Hung Kai Properties has won the tender for a commercial site atop the West Kowloon Terminus of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link in 2019, which could provide a gross floor area of approximately 3,164,000 square feet of premium commercial spaces and transform into one of the iconic commercial properties for office building and shopping mall in Hong Kong. As such, the continuous large-scale residential and commercial projects may ultimately translate into potential market opportunities and offer adequate market demand for fitting-out projects in the coming years.

Relocation of office premises — Central has been the traditional commercial and business centre in Hong Kong for years and according to the figures published by Rating and Valuation Department, the average monthly rent of Grade A private offices in Central increased from approximately HK\$1,013 per square meter in 2014 to approximately HK\$1,358 per square meter in 2019, representing a CAGR of 6.0%. The surge in rental prices has resulted in the relocation of a number of multinational enterprises to other districts, such as Quarry Bay and Kwun Tong. In addition, the enhanced connectivity and infrastructural support in Kowloon East have shaped the region into another premier core business district in order to attract international and Mainland enterprises to establish their branch office in Hong Kong. As the completions of domestic private offices and commercial spaces rose at a CAGR of 20.8% and 15.5% respectively in the past six years, together with the establishment of new private office building, such as K11 Atelier in Tsim Sha Tsui, and the relocation of offices, such as the Securities and Futures Commission and other international firms to Quarry Bay and Tai Koo, are anticipated to translate into potential market opportunities for fitting-out service providers and favour the overall industry development.

Surging demand from retail sectors — Supported by a positive economic performance in Hong Kong during 2014 to 2019, a number of international retail brands have expanded their businesses in Hong Kong and several shopping malls were completed. In particular, two iconic shopping malls were completed in 2019. V-Walk located in west Kowloon was opened in July 2019 and K11 Musea, which is destined to be a cultural-retail destination, was opened in Tsim Sha Tsui in August 2019. The openings of these two landmark shopping centres have highlighted the surging demand of fitting-out works from retail sector, especially K11 Musea has emphasised on the interior fit-out as it is designed to provide an immersive experience of art, culture, nature and commerce to customers. Furthermore, in light of the scheduled completion of several mixed development projects of residential and commercial uses, such as property

INDUSTRY OVERVIEW

development projects in Wong Chuk Hang and Tai Wai, the demand for fitting-out services for retail spaces is expected to steadily increase in the future.

Increasing demand for renovation projects of aged housing units — Underpinned by the Mandatory Building Inspection Scheme (MBIS), owners of buildings aged 30 years or above (except domestic buildings not exceeding three-storey) and served with statutory notices are required to appoint an Registered Inspector to conduct prescribed inspection and supervise all necessary repair works of the buildings. According to Building Department, the number of statutory orders issued on building repairs and investigation on building defects has increased from 213 per year to 320 per year during 2014 to 2019, representing a CAGR of 8.5%. Besides, the Urban Renewal Authority has revealed that there will be more than 11,000 private housing units aged 70 by the end of 2026. With the increasing number of dilapidated residential buildings in Hong Kong, the demand for renovation and fitting-out works is expected to increase in the future, which may transform into potential market opportunities for fitting-out service providers to capture extra projects awards in the future.

Market trends

Application of information technology — The application of latest information technology may reduce human errors and transform into one of market trends in the fitting-out industry in Hong Kong. In order to accurately and efficiently measure the dimensions and shape of the complex building components, 3D laser scanning and electronic measurement are adopted by fitting-out service providers to create a high-definition, digital 3D representation of building conditions and identify potential defects. Besides, the integration of 3D laser scanning and electronic measurement technologies into the construction process can reduce human errors and change orders as the technologies improve overall construction accuracy and hence, additional costs to rectify defects can be avoided.

Rising demand for fitting-out works of smaller size apartments — Housing affordability is one of the core housing problems due to speculative housing demand in Hong Kong and property developers have jumped on the opportunity and rolled out small-sized apartments in order to make these sizes of residential units within the affordability of first-time buyers. According to Rating and Valuation Department, the completion of Class A flats with saleable area less than 40m² has grown at a CAGR of 25.1% during 2014 to 2019. As such, more small-sized apartment owners and tenants are expected to engage fitting-out service providers to maximise the living spaces and utilise the storage spaces within the apartment. It is therefore expected that the demand for fitting-out works of smaller-size apartments will increase in Hong Kong.

Market challenges

Increasing costs amid ageing labour force — Labour costs and material costs are the major expenses of fitting-out works services providers. According to Census and Statistics Department of Hong Kong, most of the prices of raw materials and wages of workers have moderately increased over the past six years. In particular, the ageing workforce in the local construction industry has been one of the significant issues and the market demand for experienced workers has remained strong. The shortage in skillful workers for both general and special trades in the construction may result in higher expenditure for fitting-out works service providers to retain high-calibre workers in order to ensure timely delivery of fitting-out projects. As a result, the recruitment of a pool of sufficient labour force while maintaining the business operations economically-viable has become one of the market challenges for fitting-out works contractors.

Prone to government policies and macroeconomic conditions — The market growth of construction industry in Hong Kong highly correlates to government policies and macroeconomic environment. Particularly, during economic downturns, due to limited financial budgets, property developers and tenants are more conservative to invest capital resources to renovate their living spaces and select high-end products, such as furniture and marbles imported from overseas. On the other hand, government policies, such as urban renewal and development programme and land sales, may affect the availability of land for property developers to construct and subsequently the demand for fitting-out works in Hong Kong may deteriorate. In fact, according to Lands Department, the area of land sales has dropped from approximately 342.6 thousand square meters in 2014 to approximately 149.6 thousand square meters in 2019. As a result, the issue of over-reliance on government policies and cyclical nature of construction works may adversely impact the development of fitting-out works market in Hong Kong.

Higher customers' expectation — Attributable to an increasing domestic household income, more people are willing to invest extra to pursue a better living environment and enhance their living standards.

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Fitting-out service providers may confront with higher customers' requirements as they may prefer the application of high-quality building materials to create a decent aesthetic decoration around their living spaces. Moreover, as the cost of owning and renting a unit is relatively high in Hong Kong, property owners and generally have higher demand for the quality of fitting-out works. Thus, competent service providers are required to demonstrate a variety of capabilities, such as project management and craftsmanship, in order to meet the enhanced requirements from customers and outperform their competitors among this highly competitive market environment.

Fierce industry competition — The fitting-out works market in Hong Kong is deemed to be highly competitive due to a large amount of fitting-out service providers. Some service providers may possess longer operating history, better resources, stronger relationships with other industry stakeholders or more reputed brand name. Therefore, in order to capture potential business opportunities and develop relationships with customers, some market participants may adopt more aggressive pricing approaches and may lead to a downward pricing pressure in the market, which may ultimately negatively impact the general profitability of the fitting-out market in Hong Kong.

Recent market development

A novel coronavirus epidemic (COVID-19) was first identified in Wuhan, capital of Hubei province, the PRC in late 2019 and the first two cases of COVID-19 in Hong Kong were confirmed on 23 January 2020. As the number of infections of COVID-19 has been increasing, the Hong Kong government has escalated its response level to Emergency under the Preparedness and Response Plan for Novel Infectious Disease of Public Health Significance and has introduced several control measures to restrict the movement of populations in order to prevent the disease spreading in the wider community. For example, any persons entering Hong Kong from Mainland China are required to undergo mandatory quarantine for 14 days. As there may exist construction workers who are immigrants from Mainland China, they may be required to comply with this regime when they return to Hong Kong and hence the labour supply in the fitting-out market may be temporarily affected. Furthermore, as the Lunar New Year holiday has been extended in the PRC as announced by the State Council and local authorities, the supply of certain construction materials, such as stone and wood supplies, may be temporarily disrupted during the early stages of the outbreak of COVID-19 in the PRC. However, in view of (i) the number of confirmed cases of COVID-19 in the PRC has gradually slowed down and the outbreak of COVID-19 appeared to be effectively controlled in March 2020; (ii) some companies in the PRC, including production and manufacturing enterprises, have been implementing staged returns to work and some have even resumed full production; and (iii) the number of confirmed cases of COVID-19 in Hong Kong is relatively low when compared to other regions and the number of recovered cases has been increasing, it is believed that the supply of labour and raw materials in fitting-out market will not be substantially affected by the outbreak of COVID-19. Moreover, considering a series of relief measures has been launched by the Hong Kong government to help ease financial burdens of businesses and individuals and encourage enterprises to retain employees, in particular two rounds of subsidy schemes for construction companies and workers as outlined in the Anti-epidemic Fund, the outlook of Hong Kong fitting-out market will remain positive, as driven by the planned urban development and strong demand from the residential and commercial sectors in the long-run.

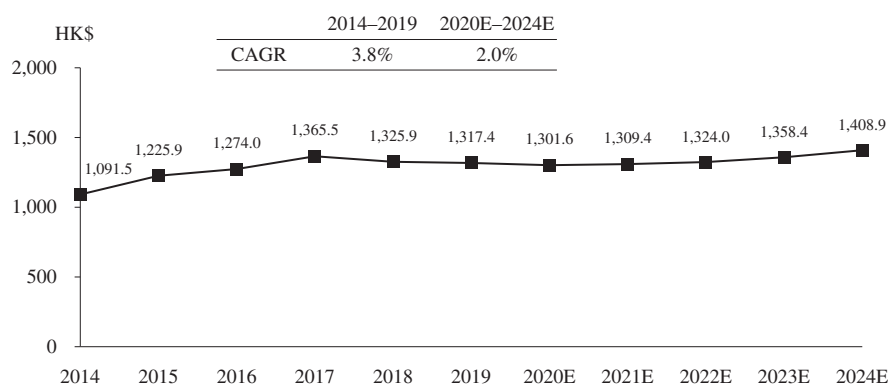
Cost analysis

Labour cost

As the completion of both private and public residential units, as well as private offices and commercials in Hong Kong have substantially increased over the recent years, the imbalance between labour supply and demand due to ageing and retirement of experienced workers has grown in the fitting-out works market in Hong Kong. According to Construction Industry Council, more than 41% of construction workers aged 50 or above and are expected to retire in the coming years. Furthermore, according to Census and Statistics Department of Hong Kong, the average daily wages of workers in the fitting-out works industry has moderately risen at a CAGR of 3.8% from approximately HK\$1,091.5 per day in 2014 to approximately HK\$1,317.4 per day in 2019. Going forward, it is forecasted that the average daily wages of workers in fitting-out works industry in Hong Kong will amount to approximately HK\$1,408.9 per day by the end of 2024, representing a CAGR of 2.0% during 2020 to 2024, primarily driven by a long-term demand for different work trades of construction workers at different construction sites in Hong Kong.

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Average daily wages of workers in fitting-out works industry (Hong Kong), 2014–2024E



Note: The average daily wages of fitting-out workers is based on the average wages of carpenter (formwork), plumber, plasterer, glazier, painter and decorator, leveler, marble worker, bricklayer, concreter, electrical fitters, mechanical fitters, HVAC mechanics, mason and general workers.

Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

Raw material cost

Most of the materials in Hong Kong are imported from the PRC and overseas countries and the average prices of major materials in fitting-out works have shown an overall increase over the past six years due to a strong demand from the construction industry in Hong Kong. Among all the materials, the average price of glazed mosaic tiles has inflated from approximately HK\$131.2 in 2014 to approximately HK\$148.7 in 2019, representing a CAGR of 2.5%. It is expected that the prices for materials will continue to increase due to sustained inflation and strong domestic demand for the execution of construction projects.

Average prices of major materials in fitting-out works (Hong Kong), 2014–2024E

Item	Unit	2014	2015	2016	2017	2018	2019	2020E	2024E	CAGR (2014– 2019)	CAGR (2020E– 2024E)
Glazed ceramic wall tiles — White tiles, 108mm x 108mm	HK\$ per 100 pieces	236.3	233.0	238.3	243.0	243.0	243.0	243.5	246.8	0.6%	0.3%
Glazed ceramic wall tiles — Colour tiles, 200mm x 200mm	HK\$ per 100 pieces	400.0	431.0	442.3	440.0	440.0	440.0	440.5	464.2	1.9%	1.3%
Portland cement (ordinary)	HK\$ per metric tonne	720.4	739.2	714.7	699.9	698.5	727.8	733.7	751.3	-0.2%	0.6%
Glazed mosaic tiles	HK\$ per square meter	131.2	132.8	139.1	144.7	145.0	148.7	150.2	161.1	2.5%	1.8%
Glass	HK\$ per square meter	153.4	157.0	157.0	157.0	160.5	161.0	161.4	169.2	1.0%	1.2%
Floor tiles	HK\$ per square meter	159.8	160.0	162.2	167.7	174.2	177.2	179.3	189.5	2.1%	1.4%
Sawn hardwood	HK\$ per cubic meter	5,629.5	5,707.0	5,707.0	5,805.1	6,177.8	6,303.0	6,378.2	6,864.0	2.3%	1.9%
Plywood	HK\$ per square meter	74.8	75.0	74.2	74.3	76.4	76.0	76.2	79.5	0.3%	1.1%
Steel plate	HK\$ per metric tonne	5,676.7	5,125.7	4,823.8	5,380.8	5,815.4	6,011.8	6,042.4	6,177.2	1.2%	0.6%
Marble	HK\$ per metric tonne	4,660.4	4,226.3	4,180.0	4,145.3	4,360.7	5,158.6	5,175.1	5,457.1	2.1%	1.3%
Plastic laminate	HK\$ per square meter	83.1	83.9	85.1	86.2	87.1	88.1	89.0	92.6	1.2%	1.0%
Fire-rated acoustic door	HK\$ per unit	4,660.0	4,700.0	4,730.0	4,810.0	4,930.0	5,030.0	5,080.0	5,360.0	1.5%	1.4%

Note: The average price of fire-rated acoustic door is based on the average prices of imported fire-rated acoustic timber door and metal door

Source: Census and Statistics Department of Hong Kong, Trade Map, Frost & Sullivan

COMPETITIVE LANDSCAPE OF FITTING-OUT WORKS MARKET IN HONG KONG

The overall fitting-out market in Hong Kong is considered as relatively highly fragmented and competitive in terms of number of market participants. With reference to the statistics from Construction Industry Council as of December 2019, there are 729 market participants providing fitting-out services in Hong Kong. Based on our Group's revenue recorded from its fitting-out projects of approximately HK\$759.6 million for the year ended 31 December 2018 and the total market size of the fitting-out market in Hong Kong of approximately HK\$66.0 billion in 2018, our Group's ranked the third with a market share accounted for approximately 1.2% in the Hong Kong fitting-out market in 2018.

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Ranking and market share of leading fitting-out market by revenue (Hong Kong), 2018

Rank	Market participant	Listing status	Estimated revenue in 2018 (HK\$ million)	Estimated market share in 2018 (%)
1	Company A	Listed	1,679.4	2.5%
2	Company B	Listed	928.0	1.4%
3	Our Group	Private company	759.6	1.2%
4	Company C	Listed	669.8	1.0%
5	Company D	Listed	557.3	0.8%
	<i>Subtotal</i>		<u>4,594.1</u>	<u>7.0%</u>
	Total		<u><u>66,000.0</u></u>	<u><u>100.0%</u></u>

Note:

Company A is an integrated fitting-out contractor and has been providing fitting-out works for residential properties and hotel projects in Hong Kong and Macau since 1996.

Company B principally engages in property and construction business, and also provides interior fitting-out and building renovation services in Hong Kong.

Company C was established in 1995 and is a contractor of fitting-out services in Hong Kong and mainly conducted on new buildings of residential and commercial properties.

Company D was established in 2003 and is an interior fit-out solutions provider with major customers predominantly situated in Grade A offices in Hong Kong.

Source: Frost & Sullivan

Entry barriers

Initial capital investment — Sufficient initial capital is the most upfront requirement for all lines of businesses. A large amount of upfront cost is often involved in fitting-out projects, which require substantial working capital and healthy cash flow. Hence, new entrants who do not have an adequate amount of capital may face consequences of delayed project executions and ultimately, lose their reputation.

Job references — The number of job references with good track records is a strong entry barrier into the fitting-out works market in Hong Kong. Existing market participants tend to have accumulated job references to show case to potential customers, which is seen as a comparative advantage over new market entrants, as it takes time for new market entrants to build up their portfolio.

Sustainable business relationship — Having a secured business relationships along the supply chain is particularly crucial in this industry in order to deliver the service in a timely manner and meet clients' expectation. Existing market participants tend to have established business relationships with suppliers of building materials, architects, sub-contractors and other professionals to carry out the projects, which is seen as an strong entry barrier to new market entrants.

Factors of market competition

Project portfolio and market reputation — Within the fitting-out works market in Hong Kong, past project references and market reputation are crucial factors which customers would consider when it comes to choosing the right company for the fitting-out work service. Market participants with extensive project portfolio and experience are more preferred by customers as a strong track record allows market participants to demonstrate quality service, project performance and hence market reputation in customer's perspective.

Project management — Good project management is highly valued in all project-based jobs, especially fitting-out works where extensive design, planning and procurement in the early stage are highly important for construction activities later on. It is important because it ensures that the outcome fulfills client's initial expectations and aligns with the strategic goals of the business. Therefore, this is one of the qualities customers would look for in the fitting-out works market.

Effective cost control and differentiation — Cost control is an important factor in maintaining and growing profitability, allowing a company to stay in the competition. A fitting-out works service provider with the capability to minimum costs such as labour, logistics and raw material costs, and optimise operation flexibility is more likely to maximise their profit margin of the projects. Apart from keeping their costs reasonable, companies that are able to provide value-added services and distinctive benefits for their customers are more likely to stay ahead of the competition and increase customer retention.

Competitive advantages of our group

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

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Our Group is engaged in the provision of fitting-out services. Below sets out a summary of the most significant aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to the business of our Group.

BUILDINGS ORDINANCE (CHAPTER 123 OF THE LAWS OF HONG KONG) (THE "BUILDINGS ORDINANCE")

Under the Buildings Ordinance, there are three contractors' registers, namely the general building contractors' register, the specialist contractors' register and the minor works contractors' register, being kept by the Building Authority. Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

BUILDING (MINOR WORKS) REGULATION (CHAPTER 123N OF THE LAWS OF HONG KONG) (THE "BUILDING (MINOR WORKS) REGULATION")

The Building (Minor Works) Regulation is a subsidiary legislation under the Buildings Ordinance and provides for a simplified procedure and requirements to regulate building works which have been specified as "minor works".

Under the Building (Minor Works) Regulation, minor works are classified into three classes according to their nature, scale and complexity and the risk and safety they pose. The works are further classified into types and items that correspond to the specialisation of works in the industry.

Class I minor works are relatively more complicated and require higher technical experience and more stringent supervision and thus requires the appointment of a prescribed building professional (such as an authorised person who must be a registered architect, engineer and/or surveyor within the authorised persons' register maintained by the Building Authority; and where necessary, may include a registered structural engineer and/or a registered geotechnical engineer) and a prescribed registered contractor. The other two classes of minor works, Class II and Class III, can be carried out by a prescribed registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a prescribed building professional.

According to section 14AA of the Buildings Ordinance, a person who wishes to arrange for works to be carried out (for example, a property owner or tenant) can commence Class I to Class III minor works without obtaining prior approval and consent of the Building Authority by following the simplified procedures contained in Part 6 of the Building (Minor Works) Regulation.

The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting document and site photos, which must be submitted at least 7 days before commencement of the works concerned. For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of commencement of the projects as required for Class I and Class II minor works.

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For projects involving Class I or Class II minor works, a certificate of completion of works certified by the prescribed building professional and/or prescribed registered contractor and photographs of the completed works must be submitted to the Building Authority within 14 days after completion of works. Revised plans must also be submitted if the completed works differ from those shown in the original plans. For projects involving Class III minor works, a notification in the specified form, plans or description of completed works, and “before-and-after” photographs of the premises must be submitted to the Building Authority within 14 days after completion of works.

Minor works contractors are required to be registered under the Buildings Ordinance. Under section 8A(1)(c) of the Buildings Ordinance, the Director of Buildings (the “**Building Authority**”) is to maintain a register of minor works contractors who are qualified to carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

A Registered Minor Works Contractor (Company) (“**RMWC (Co)**”) is minor works contractor who is registered under section 10(1)(b) of the Building (Minor Works) Regulation in the name of a company (including corporations, sole proprietorship and partnership) for carrying out various types and classes of minor works.

Under section 12(5) of the Building (Minor Works) Regulation, an applicant for registration as an RMWC (Co) must satisfy the Building Authority on the following aspects:

- (i) the appropriate qualifications and experience of its key personnel, including at least one of its directors;
- (ii) it has access to plants and resources;
- (iii) its management structure is adequate;
- (iv) the ability of the persons appointed to act for the applicant for the purposes of the Buildings Ordinance to understand the type of minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and
- (v) the applicant is suitable for registration in the register of minor works contractors.

Pursuant to section 12(6) of the Building (Minor Works) Regulation, in deciding whether the applicant is suitable for registration in the register of minor works contractors, the Building Authority will take into account the following factors:

- (i) whether the applicant has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and
- (ii) whether any disciplinary order has been made against the applicant.

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In considering each application for registration as an RMWC (Co), the Building Authority will give regard to the qualifications, experience and suitability of the following key personnel of the applicant:

- (i) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (the “AS”); and
- (ii) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (the “TD”), who is authorised by the board to:
 - (A) have access to plants and resources;
 - (B) provide technical and financial support for the execution of minor works; and
 - (C) make decisions for the company and supervise the AS and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

For the purpose of determining an applicant’s suitability for registration in the register of minor works contractors, the Building Authority also takes into account whether the AS and the TD has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works, and whether any disciplinary order has been made against the AS.

Any person who, without reasonable excuse, fails to observe the relevant requirements under the Building (Minor Works) Regulation for conducting the minor works commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

Under section 40(2E) of the Buildings Ordinance, where a registered minor works contractor or registered specialist contractor certifies or carries out minor works not belonging to the class, type or item for which he is registered, he will be guilty of an offence and liable on conviction (a) to a fine at level 6 (currently at HK\$100,000) and to imprisonment for six months, and (b) to a fine of HK\$5,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

ELECTRICITY ORDINANCE (CHAPTER 406 OF THE LAWS OF HONG KONG) (THE “ELECTRICITY ORDINANCE”)

Under section 2 of the Electricity Ordinance, “electrical work” means work in relation to the installation, commissioning, inspection, testing, maintenance, modification or repair of a low-voltage or high voltage fixed electrical installation and includes the supervision and certification of that work and the certification of design of that installation.

Section 34(3) of the Electricity Ordinance provides that only a registered electrical worker (“REW”) registered with the Electrical and Mechanical Services Department (“EMSD”) under the ordinance shall conduct the electrical works specified in his certificate of registration.

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Pursuant to section 34(1) of the Electricity Ordinance, no person shall do business as an electrical contractor or contract to carry out electrical work unless he is a registered electrical contractor (“**REC**”) with the EMSD. To qualify as a REC registered with the EMSD under the Electricity Ordinance, a corporate applicant must employ at least one REW.

Where the director of the EMSD considers that there is evidence that a REW or a REC has failed to comply with the ordinance, he may: (i) reprimand the worker or contractor, and/or fine a worker up to HK\$1,000 and a contractor up to HK\$10,000; or (ii) refer the matter to the Secretary for Environment for hearing by a disciplinary tribunal, who may do one or more of the following:

- (a) reprimand the registrant;
- (b) fine a worker up to HK\$10,000 and a contractor up to HK\$100,000;
- (c) suspend or cancel the registration of the registrant;
- (d) suspend the registrant’s right to apply for registration or renewal of registration for a prescribed period.

CONSTRUCTION WORKERS REGISTRATION ORDINANCE (CHAPTER 583 OF THE LAWS OF HONG KONG) (THE “CONSTRUCTION WORKERS REGISTRATION ORDINANCE”)

The Construction Workers Registration Ordinance provides for the registration of construction worker and related matters. The Construction Industry Council established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) is responsible for the registration of construction workers. Under section 3(1) of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless he or she is a registered construction worker. A person who contravenes section 3 commits an offence and is liable on conviction to a fine at level 3 (currently at HK\$10,000).

Further, under section 5 of the Construction Workers Registration Ordinance, no person shall employ unregistered construction workers to carry out on construction site construction work. A person who contravenes section 5 commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

Under section 58(1) and (2) of the Construction Workers Registration Ordinance, a principal contractor for a construction site is required to provide device(s) that enables the data stored in a registration card in electronic form to be retrieved. The principal contractor may apply to the Construction Industry Council for exemption of the above requirement.

According to section 58(7) of the Construction Workers Registration Ordinance, a controller of a construction site is required to:

- (a) establish and maintain a daily record in the specified form which contains information of the registered construction workers who are employed by the controller or a sub-contractor of the controller and personally carrying out on the site construction work; and

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- (b) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record (i) for the period of 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.

REGISTERED SPECIALIST TRADE CONTRACTORS SCHEME

Sub-contractors undertaking building works in Hong Kong may make an application for registration under the Registered Specialist Trade Contractors Scheme which replaced the Sub-contractor Registration Scheme with effect from 1 April 2019 managed by the Construction Industry Council which comprises two registers namely the Register of Specialist Trade Contractors (the “RSTC”) and the Register of Sub-contractors (the “RS”).

Sub-contractors may apply for registration in one or more of the 52 trades under the Sub-contractor Registration Scheme which cover common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialities, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc. Since 1 April 2019, sub-contractors may apply for registration on the RSTC in one or more of the seven designated trades including demolition, reinforcement bar fixing, erection of concrete precast component, concreting formwork, concreting, scaffolding and curtain wall. Sub-contractors may also apply for registration on the RS in other common civil, building, electrical and mechanical trades.

Applications for registration under the Primary Register of the Sub-contractor Registration Scheme are subject to the following entry requirements:

- (a) completion of at least one job within the last five years as a main contractor/sub-contractor in the trades and specialities for which registration is applied or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Hong Kong Government relevant to the trades and specialities for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered sub-contractor 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 Sub-contractors (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’ 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 sub-contractor shall apply for renewal within three months before the expiry date of its registration whereas a registered specialist trade contractor shall apply for renewal not earlier than six months but not later than three months before the expiry date of its registration by submitting an application to the Construction Industry Council in a specified format providing information and

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supporting documents as required to show compliance with the entry requirements. An application for renewal shall be subject to approval by the committee on Registered Specialist Trade Contractors Scheme which oversees the Registered Specialist Trade Contractors Scheme. If some of the entry requirements covered in an application can no longer be satisfied, the Committee of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal as a registered sub-contractor shall be valid for three or five years from the expiry of the current registration whereas the approved renewal for a registered specialist trade contractor shall be valid for not less than 36 months after the decision date for that application for renewal.

Registered Sub-contractors need to abide by the Code of Conducts prescribed by the Construction Industry Council. The Code of Conducts covers six areas under which the Registered Sub-contractors shall conduct themselves properly: (i) compliance (with laws and regulations); (ii) integrity; (iii) employment; (iv) safety; (v) image (reputation); (vi) environment. Breach of the Code of Conducts may result in regulatory actions including (a) written strong direction and/or warning; (b) requiring a Registered Sub-contractor to submit specific improvement plan; (c) suspension from registration; or (d) revocation of registration.

FACTORIES AND INDUSTRIAL UNDERTAKINGS ORDINANCE (CHAPTER 59 OF THE LAWS OF HONG KONG) (THE “FACTORIES AND INDUSTRIAL UNDERTAKINGS ORDINANCE”)

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, a proprietor (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking shall take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

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

A proprietor of an industrial undertaking who contravenes these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes these duties willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

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Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

BOILERS AND PRESSURE VESSELS ORDINANCE (CHAPTER 56 OF THE LAWS OF HONG KONG) (THE “BOILERS AND PRESSURE VESSELS ORDINANCE”)

The Boilers and Pressure Vessels Ordinance regulates the control, use, and operation of boilers and pressure vessels, provides for conduct of inquiries into accidents relating to boilers and pressure vessels and regulates registration, maintenance and examination of boilers, pressure vessels and steam containers, and their use and operations.

Section 24 of the Boilers and Pressure Vessels Ordinance prescribes that every new air receiver, other than a pressurised fuel container, and its fittings and attachments shall be examined by an appointed examiner before it is put into use. Under section 27 of the Boilers and Pressure Vessels Ordinance, any air receiver shall be examined by an appointed examiner within 26 months after the date of any certificate of fitness issued in respect thereof.

The owner of the air receiver, boiler or pressure vessels who fails to register the relevant air receiver, boiler or pressure vessels with the Labour Department or one who fails to obtain the certificate of fitness is liable on summary conviction to a fine of HK\$30,000 under section 49(8) of the Boilers and Pressure Vessels Ordinance.

OCCUPATIONAL SAFETY AND HEALTH ORDINANCE (CHAPTER 509 OF THE LAWS OF HONG KONG) (THE “OCCUPATIONAL SAFETY AND HEALTH ORDINANCE”)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial. Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer’s control:
 - maintaining the workplace in a condition that is safe and without risks to health; and
 - providing and maintaining means of access to and egress from the workplace that are safe and without any such risks;

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- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy work environment.

An employer who fails to comply with any of the above provisions commits 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 improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such improvement or suspension notices constitutes an offence and is liable to a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

CONSTRUCTION INDUSTRY COUNCIL ORDINANCE (CHAPTER 587 OF THE LAWS OF HONG KONG) (THE “CONSTRUCTION INDUSTRY COUNCIL ORDINANCE”)

Under sections 32 and 33 of the Construction Industry Council Ordinance, a contractor of any construction operations carried out in Hong Kong with a total value exceeding HK\$3.0 million is liable to a construction industry levy at the rate of 0.5% of the value of the construction operations concerned. Construction operations include, among other things, building works; construction, alteration, repair, maintenance, extension, demolition or dismantling of buildings or structures, power-lines, telecommunications apparatus or pipelines; supply and installation of fittings or equipment in any building or structures; external or internal cleaning of any buildings or structures, which is carried out in the course of construction or maintenance of such buildings or structures; painting or decorating any external or internal surfaces or parts of any buildings or structures; and operations which form an integral part of, or are preparatory to any of the above operations.

IMMIGRATION ORDINANCE (CAP. 115) (THE “IMMIGRATION ORDINANCE”)

Section 38A of the Immigration Ordinance requires that the principal or main contractor, and includes a sub-contractor, owner, occupier or other person who has control over or is in charge of a construction site to 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, and the construction site controller failed to prove that he had taken all practicable steps to prevent such from happening, he commits an offence and is liable to a fine of HK\$350,000.

REGULATORY OVERVIEW

EMPLOYEES' COMPENSATION ORDINANCE (CHAPTER 282 OF THE LAWS OF HONG KONG) (THE "EMPLOYEES' COMPENSATION ORDINANCE")

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 or dies as a result of an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

As prescribed under section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents), irrespective of whether the accident gives rise to any liability to pay compensation. If the employer did not know the happening of such accident or did not otherwise come to his knowledge within such periods of 7 or 14 days (as the case may be) then such notice shall be given not later than 7 days or, as may be appropriate, 14 days after the happening of the accident is first brought to the notice of the employer or otherwise came to his knowledge.

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

According to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) 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). The minimum insurance coverage required is not less than HK\$100.0 million per event (where the number of employees in relation to whom the policy is in force does not exceed 200) and no less than HK\$200.0 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) for the employer's liability. A main-contractor who has undertaken to perform any construction work may take out insurance policy in respect of his liability and that of his sub-contractor(s). The minimum insurance coverage for such main-contractor is not less than HK\$200.0 million per event.

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

REGULATORY OVERVIEW

MANDATORY PROVIDENT FUND SCHEMES ORDINANCE (CHAPTER 485 OF THE LAWS OF HONG KONG) (THE “MANDATORY PROVIDENT FUND SCHEMES ORDINANCE”)

The Mandatory Provident Fund Schemes Ordinance provides that an employer shall take all practicable steps to ensure that his employees participates in the Mandatory Provident Fund Scheme (the “MPF Scheme”) and make contributions for its employees aged between 18 and 65 and whose duration of employment is for 60 days or more. Under the MPF Scheme, an employer and its employee are both required to contribute a total of 5% of the employee’s monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month or HK\$360,000 per year.

Industry Scheme

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

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

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories:

1. foundation and associated works;
2. civil engineering and associated works;
3. demolition and structural alteration works;
4. refurbishment and maintenance works;
5. general building construction works;
6. fire services, mechanical, electrical and associated works;
7. gas, plumbing, drainage and associated works; and
8. interior fitting-out works.

REGULATORY OVERVIEW

EMPLOYMENT ORDINANCE (CHAPTER 57 OF THE LAWS OF HONG KONG) (THE “EMPLOYMENT ORDINANCE”)

A main contractor and a superior sub-contractor are is subject to the provisions on sub-contractor’s employees’ wages in the Employment Ordinance. Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the main contractor and/or every superior sub-contractor jointly and severally. A main contractor’s (and/or, where applicable, superior sub-contractor’s) liability shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

According to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the main contractor. Upon receipt of such notice from the relevant employee, a main contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior sub-contractors shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

According to section 43F of the Employment Ordinance, if a main contractor or superior sub-contractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior sub-contractor, as the case may be.

The main contractor or superior sub-contractor may either (1) claim contribution from every superior sub-contractor to the employee’s employer or from the main contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

MINIMUM WAGE ORDINANCE (CHAPTER 608 OF THE LAWS OF HONG KONG) (THE “MINIMUM WAGE ORDINANCE”)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void. If an employer wilfully and without any reasonable excuse fails to pay the minimum wage when it becomes due, he is liable to be prosecuted under sections 23, 24 and/or 63C of the Employment Ordinance, and upon conviction, to a fine of HK\$350,000 and to imprisonment for 3 years.

REGULATORY OVERVIEW

OCCUPIERS LIABILITY ORDINANCE (CHAPTER 314 OF THE LAWS OF HONG KONG) (THE “OCCUPIERS LIABILITY ORDINANCE”)

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

Under the Occupiers Liability Ordinance, an occupier of a premise owes a common duty of care to take reasonable care of the premise in all circumstances to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

AIR POLLUTION CONTROL ORDINANCE (CHAPTER 311 OF THE LAWS OF HONG KONG) (THE “AIR POLLUTION CONTROL ORDINANCE”)

The Air Pollution Control Ordinance controls emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation, the Air Pollution Control (Smoke) Regulation and the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

NOISE CONTROL ORDINANCE (CHAPTER 400 OF THE LAWS OF HONG KONG) (THE “NOISE CONTROL ORDINANCE”)

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.

WATER POLLUTION CONTROL ORDINANCE (CHAPTER 358 OF THE LAWS OF HONG KONG) (THE “WATER POLLUTION CONTROL ORDINANCE”)

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. 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

WASTE DISPOSAL ORDINANCE (CHAPTER 354 OF THE LAWS OF HONG KONG) (THE “WASTE DISPOSAL ORDINANCE”)

The Waste Disposal Ordinance controls 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 (Designated Waste Disposal Facility) Regulation and the Waste Disposal (Charges for Disposal of Construction Waste) Regulation. Currently, construction waste may be accepted for disposal at (a) landfills, (b) outlying islands transfer facilities, (c) sorting facilities and (d) public fill reception facilities, depending on the composition of the construction waste. A person who delivers the construction waste or on whose behalf it is delivered must be an account-holder of a valid billing account with the director of Environmental Protection. Deposition of construction waste is charged in relation to its weight.

PUBLIC HEALTH AND MUNICIPAL SERVICES ORDINANCE (CHAPTER 132 OF THE LAWS OF HONG KONG) (“PUBLIC HEALTH AND MUNICIPAL SERVICES ORDINANCE”)

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 is a fine up to HK\$10,000 upon conviction with a daily fine of HK\$200.

Additionally, any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance with a maximum penalty of 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, with a maximum penalty of HK\$10,000 upon conviction and a daily fine of HK\$200.

SECURITY OF PAYMENT LEGISLATION FOR THE CONSTRUCTION INDUSTRY (THE “SOPL”)

The Hong Kong government has consulted the public on the proposed introduction of the SOPL to address unfair payment terms, payment delays and disputes. The rationale behind the new legislation is to improve payment practice and enable rapid dispute resolution in the construction industry.

Based on the consultation document of the SOPL, when it comes into force, the SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All construction contracts of the Hong Kong government and specified statutory and/or public bodies and corporations will be caught by the legislation, whereas other construction contracts with an original value in excess of HK\$5.0 million and consultancy and supply contracts with an original value in excess of HK\$0.5 million relating to a “new building” (as defined by the Buildings Ordinance) will be caught by the legislation. Where the SOPL applies to the main contract, it will automatically apply to all sub-contracts in the contractual chain.

REGULATORY OVERVIEW

Based on the consultation document of the SOPL, the SOPL will include the following key obligations, rights and limits:

- The SOPL will prohibit “pay when paid” and similar clauses in contracts. Payers will not be able to rely on such clauses in dispute resolution forums.
- The SOPL will prohibit payment periods of more than 60 calendar days for interim payments or 120 calendar days for final payments.
- The SOPL will enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60-day process).
- The SOPL will give parties who have not been paid amounts admitted as due the right to suspend or reduce the rate or progress of work until payment is made.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR BUSINESS HISTORY

Our history can be traced back to 2004 when Mr. Ng, the chairman of our Board, our chief executive officer and executive Director, acquired 99.8% interest in Success Base Engineering from Ms. Lam Ying (“**Ms. Lam**”), an Independent Third Party while Ms. Lam and Mr. Lee Kin Keung (“**Mr. Lee**”), also an Independent Third Party, held 0.1% and 0.1% of the remaining interests respectively. Following a number of share allotments and transfers, Mr. Ng, by himself and through Success Base Group Holding, held the entire issued share capital of Success Base Engineering since 7 November 2016 until immediately prior to the Reorganisation.

At the very beginning, we provided small-scale residential and commercial fitting-out services and repair and maintenance services. As our services gained acceptance, we acquainted with major property developers in Hong Kong and started to provide fitting-out services for their property projects.

Over the years, we have provided fitting-out works for a number of prominent property projects of established property developers in Hong Kong, expanded our scale of operations and built up our reputation in the fitting-out industry in Hong Kong. According to the Frost & Sullivan Report, in terms of revenue in 2018, our Group ranked third among fitting-out contractors in Hong Kong market with a market share of approximately 1.2%.

KEY BUSINESS MILESTONES

The following table outlines the key milestones and achievements in the history of our Group:

2004	Success Base Engineering was incorporated in Hong Kong
2005	We became a registered electrical contractor in Hong Kong
2007	We were certified to ISO 9001(quality management system)
2008	<ul style="list-style-type: none">● We became a registered sub-contractor in Hong Kong● We were awarded a contract with contract sum over HK\$4.0 million for a commercial project at Ma Wan
2010	We became a registered minor works contractor in Hong Kong
2014	<ul style="list-style-type: none">● We were awarded a contract with contract sum over HK\$40.0 million for a residential project at Yau Tong● We were awarded a contract with contract sum over HK\$60.0 million for a commercial project at Central
2015	<ul style="list-style-type: none">● We were awarded a contract with contract sum over HK\$100.0 million for a residential project at Clear Water Bay● We were awarded a contract with contract sum over HK\$140.0 million for a residential project at So Kwun Wat

HISTORY, DEVELOPMENT AND REORGANISATION

- 2016 We were awarded a contract with contract sum over HK\$200.0 million in relation to P6 (Project reference number corresponds with the table disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Completed projects” in this prospectus)
- 2017
- We met the prescribed Hong Kong Q-Mark Service Standard
 - We were awarded the Most Valuable Companies in Hong Kong 2018 (The Trophy of Excellence) by Mediazone
- 2019
- We were awarded the Hong Kong Professional Building Inspectors Academy Awards 2018 (recognition of our doors and the relevant installation services in two residential projects, Mount Pavilia and Artisan House, with NW Group) by Hong Kong Professional Building Inspection Academy
 - We were awarded a contract with contract sum over HK\$300.0 million with a leading PRC property developer based in the Guangdong Province, for that property developer’s residential project in Tuen Mun

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands with limited liability on 11 July 2019. Our Company became the holding company of our Group on 9 December 2019. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

Success Base Engineering

Success Base Engineering was incorporated in Hong Kong with limited liability on 5 January 2004 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Success Base Engineering is our Group’s sole operating subsidiary, currently principally engaging in the provision of fitting-out services and repair and maintenance services.

On the date of its incorporation, Success Base Engineering was originally owned as to one share each by Team Victoria Limited and Gold Regal Development Limited, which were company service providers. On 28 January 2004, Success Base Engineering allotted and issued 998 shares to Ms. Lam. On 2 February 2004, each of Team Victoria Limited and Gold Regal Development Limited transferred their respective one share in Success Base Engineering to Ms. Lam and Mr. Lee at a consideration of HK\$1.00 each.

HISTORY, DEVELOPMENT AND REORGANISATION

On 26 November 2004, Ms. Lam transferred her 998 shares in Success Base Engineering to Mr. Ng at a nominal consideration of HK\$1.00 each which was determined as fair and reasonable by Mr. Ng and Ms. Lam given that Success Base Engineering was then in its early stage of operation with no significant assets or profits. On 31 October 2006, Mr. Lee transferred his one share in Success Base Engineering to Ms. Lam at a nominal consideration of HK\$1.00. After the completion of such transfer, Success Base Engineering was owned as to:

Shareholder	Number of shares	Percentage
Mr. Ng	998	99.8%
Ms. Lam	2	0.2%
Total	1,000	100.0%

On 5 July 2011, the authorised share capital of Success Base Engineering was increased from HK\$10,000 to HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each. On the same day, Success Base Engineering allotted and issued 999,000 shares to Success Base Group Holding.

On 24 August 2011, the authorised share capital of Success Base Engineering was increased from HK\$1,000,000 to HK\$2,500,000 divided into 2,500,000 shares of HK\$1.00 each. On the same day, Success Base Engineering allotted and issued 1,500,000 shares to Success Base Group Holding.

On 7 November 2016, Ms. Lam transferred her two shares in Success Base Engineering to Mr. Ng at a nominal consideration of HK\$1.00 each, representing 0.00008% of the entire issued share capital of Success Base Engineering. Given that the aggregate value of the two relevant shares was approximately HK\$50.6 (with reference to the net assets value of Success Base Engineering as at September 2016 of approximately HK\$63.2 million) which was considered by both Mr. Ng and Ms. Lam as insignificant, they agreed to set the transfer price of the two relevant shares at a nominal consideration of HK\$1.00 each. Since the completion of such transfer and until immediately prior to the Reorganisation, Success Base Engineering was owned as to:

Shareholder	Number of shares	Percentage
Success Base Group Holding ^(Note)	2,499,000	99.96%
Mr. Ng	1,000	0.04%
Total	2,500,000	100.0%

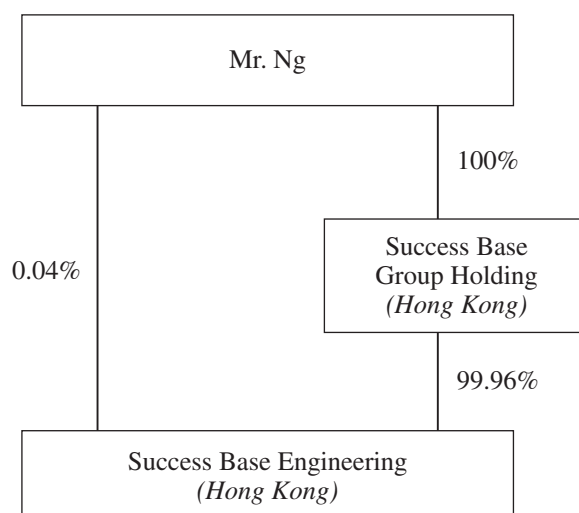
Note: Success Base Group Holding, an investment holding company, had been wholly owned by Mr. Ng since 7 November 2016.

HISTORY, DEVELOPMENT AND REORGANISATION

Ms. Lam was an ex-colleague of Mr. Ng when they worked for New Portfolio Design & Engineering Company Limited. She was a director of Success Base Engineering responsible for overseeing the administrative matters of Success Base Engineering from January 2004 till she transferred all her equity interests in Success Base Engineering to Mr. Ng in November 2016. To the best knowledge of our Directors, during the Track Record Period and as at the Latest Practicable Date, save as disclosed in this paragraph, there have been no other past or present relationships (business or otherwise), transactions or arrangements between Ms. Lam and our Group, our Shareholders, Directors and senior management, or any of their respective associates.

REORGANISATION

The following diagrams set out the shareholdings and corporate structure of our Group immediately prior to the Reorganisation:



In preparation for the Listing, our Group underwent the Reorganisation which involved the following steps:

Incorporation of our holding company, our Company and our BVI investment holding subsidiary

Fate Investment

Fate Investment was incorporated under the laws of BVI on 10 July 2019 with limited liability and is authorised to issue a maximum of 50,000 shares with no par value. One fully paid share of Fate Investment, representing the entire issued share of Fate Investment, was allotted and issued to Mr. Ng on 10 July 2019. Accordingly, Fate Investment was wholly owned by Mr. Ng upon its incorporation.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Company

Our Company was incorporated as an exempted company under the laws of the Cayman Islands on 11 July 2019 with limited liability. The initial authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. Upon incorporation of our Company, one Share was allotted and issued as fully paid at par value to an initial subscriber, being an Independent Third Party. On the same day, such Share was transferred to Fate Investment, and a further of 99 Shares were allotted and issued as fully paid at par value to Fate Investment. Accordingly, our Company became a direct wholly owned subsidiary of Fate Investment. In November 2019, the name of our Company changed from Universal Management Company Limited (環球管理有限公司) to Superland Management Company Limited (德合管理有限公司). In December 2019, the name of our Company changed from Superland Management Company Limited (德合管理有限公司) to Superland Group Holdings Limited (德合集團控股有限公司).

Team World

Team World was incorporated under the laws of BVI on 12 July 2019 with limited liability and is authorised to issue a maximum of 50,000 shares with no par value. One fully paid share of Team World, representing the entire issued share of Team World, was allotted and issued to our Company on 12 July 2019. Accordingly, Team World became a direct wholly owned subsidiary of our Company.

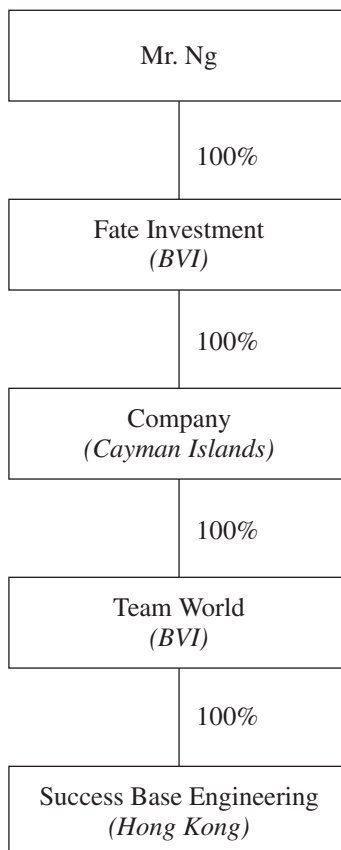
Transfer of Mr. Ng and Success Base Group Holding's entire interest in Success Base Engineering to Team World

On 9 December 2019, Mr. Ng entered into the Success Base Engineering Sales and Purchase Agreement with Success Base Group Holding, Team World and our Company, pursuant to which (i) each of Mr. Ng and Success Base Group Holding agreed to transfer his/its respective 1,000 shares and 2,499,000 shares in Success Base Engineering (together representing the entire issued share capital in Success Base Engineering) to Team World, in consideration of our Company allotting and issuing 10,000 Shares to Fate Investment at the direction of Mr. Ng and Success Base Group Holding, all credited as fully paid.

Upon completion of the Success Base Engineering Sales and Purchase Agreement, our Company became the holding company of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Set forth below is the corporate structure and shareholding structure of our Group immediately after the Reorganisation but prior to the Share Offer and Capitalisation Issue:



INCREASE IN AUTHORISED SHARE CAPITAL

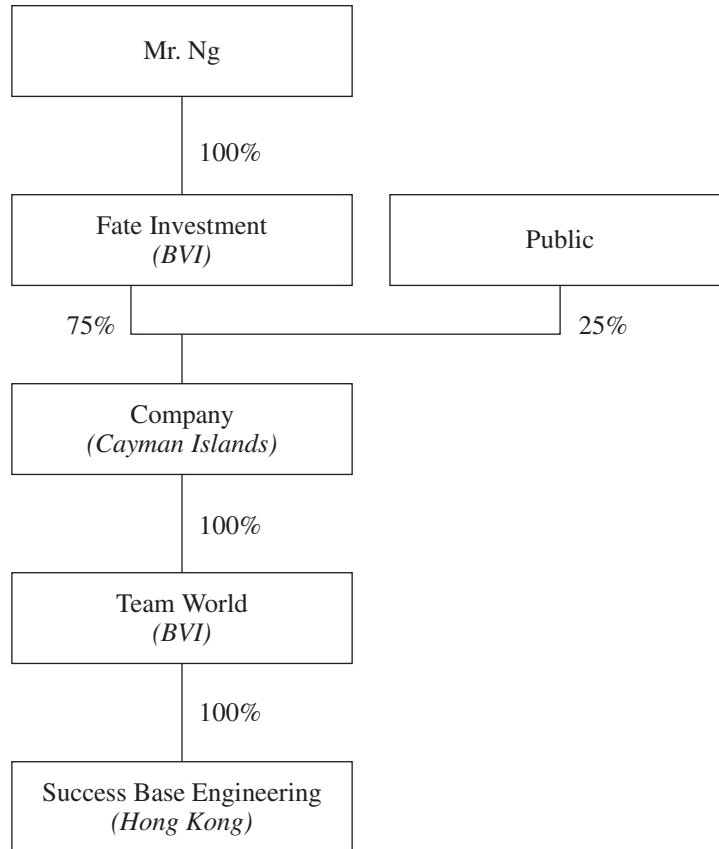
On 16 June 2020, our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of a par value of HK\$0.01 each.

CAPITALISATION ISSUE

Conditional upon the share premium account of our Company being credited with the proceeds of the Share Offer, HK\$5,999,899 will be capitalised from the share premium account and applied in paying up in full at par 599,989,900 new Shares to be allotted and issued to the then existing Shareholder, namely Fate Investment, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by Fate Investment, will constitute 75% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

HISTORY, DEVELOPMENT AND REORGANISATION

Set forth below is the corporate structure and shareholding structure of our Group immediately after the Share Offer and Capitalisation Issue (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option and the exercise of any option which may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are an established contractor based in Hong Kong with over 15 years of operating history providing fitting-out services and repair and maintenance services. Our fitting-out services mainly cover ceiling, flooring, wall, lighting, glass, metal, wood, stone and plastering works conducted on new buildings and property projects. We also source and install doors, furniture and accessories tailor-made according to the specifications of our customers as part of our fitting-out services. Our repair and maintenance services mainly cover upgrade, restoration and improvement, and repair, replacement or installation of interior decorative parts conducted on existing premises. The following table sets forth the breakdown of our revenue by business segment during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Fitting-out services	546,296	98.8	759,587	98.9	874,477	99.4
Repair and maintenance services	6,356	1.2	8,558	1.1	4,924	0.6
Total	<u>552,652</u>	<u>100.0</u>	<u>768,145</u>	<u>100.0</u>	<u>879,401</u>	<u>100.0</u>

According to the Frost & Sullivan Report, we ranked third among fitting-out contractors in Hong Kong market with a market share of approximately 1.2% in 2018 in terms of revenue. We have provided our services for a number of prominent property projects of established property developers in Hong Kong, including Victoria Harbour Residence, Phase IV of LOHAS Park, St. Martin, Victoria Dockside, Fleur Pavilia, Mount Pavilia and The Spectra. During the Track Record Period and up to the Latest Practicable Date, we had completed 20 fitting-out projects with an aggregate total contract sum amounting to approximately HK\$1,093.5 million. As at the Latest Practicable Date, we had a total of 39 fitting-out projects on hand, which included fitting-out projects that have commenced but not completed and fitting-out projects that have been awarded to us but not yet commenced, with an aggregate total contract sum of HK\$2,932.6 million. Among these projects on hand, 21 projects were with total contract sum of HK\$50.0 million or above. The aggregate total contract sum of these 21 projects amounted to approximately HK\$2,566.4 million.

We adopt a systematic approach in management and operation which may enable us to ensure the consistency of our service quality. We also maintain a comprehensive information database which enables us to manage costs and profit margins effectively and to provide insights and refinements on customer's proposals. Please refer to the paragraphs headed "Competitive strengths — We are capable to provide consistent work quality through adoption of systematic approach in management and operation and to manage costs and profit margins effectively and provide insights and refinements on customer's proposals through maintenance of a comprehensive information database" and "Services provided by our Group" in this section for more details.

BUSINESS

We source fitting-out raw materials and doors, furniture and accessories tailor-made according to the specifications of our customers from our suppliers. For further details of our procurement arrangement, please refer to the paragraph headed “Procurement” in this section.

We may delegate part of our installation or other technical works to our sub-contractors, but we ensure that our on-site project team consists of our direct labour to carry out part of the works to demonstrate the standard required for our sub-contractors to adopt for the remaining works. For further details of our sub-contracting arrangements, please refer to the paragraph headed “Sub-contracting” in this section.

During the Track Record Period, we focused on providing fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong on a project-by-project basis. The following table sets forth the breakdown of our revenue by property type during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential	436,470	79.0	449,108	58.5	567,283	64.5
Commercial ^(Note)	116,182	21.0	319,037	41.5	312,118	35.5
Total	552,652	100.0	768,145	100.0	879,401	100.0

Note: The category “commercial” mainly includes retail shops, offices, shopping arcades, commercial clubhouses, hotels and service apartments.

During the Track Record Period, our customers were from the private sector and mainly included property developers and contractors. When we were selected by property developers as their fitting-out contractor, we often entered into contract with them or their subsidiaries. We might also be nominated by property developers as the designated fitting-out contractor for their property projects and enter into contract with the contractor of such projects. Sometimes, we were directly engaged by contractors. The following table sets forth the breakdown of our revenue by customer type during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Property developers ^(Note 1)	353,380	63.9	508,921	66.3	543,925	61.9
Contractors ^(Note 2)	193,821	35.1	252,099	32.8	320,006	36.4
Others ^(Note 3)	5,451	1.0	7,125	0.9	15,470	1.7
Total	552,652	100.0	768,145	100.0	879,401	100.0

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Notes:

1. The category “property developers” includes both property developers and their subsidiaries.
2. The category “contractors” includes contractors who directly engaged us and those contractors we entered into contract with when we were nominated by property developers as the designated fitting-out contractor.
3. The category “others” includes owners and tenants of properties.

COMPETITIVE STRENGTHS

Our Directors believe our Group possesses the following competitive strengths:

We are an established contractor in Hong Kong that is capable to deliver cost-effective fitting-out services and maintains favourable relationships with both local and PRC property developers which may offer us potential business opportunities

We are an established contractor in Hong Kong with over 15 years of operating history. Our Directors believe that one of the competitive edges of our Group is our capabilities to deliver cost-effective fitting-out services, and we have provided our services for a number of prominent property projects of established property developers in Hong Kong, including Victoria Harbour Residence, Phase IV of LOHAS Park, St. Martin, Victoria Dockside, Fleur Pavilia, Mount Pavilia and The Spectra.

Our management, including Mr. Ng, and our business development personnel, maintain favourable relationships with both local and PRC prominent property developers, as evidenced by a large number of tender invitations we received during the Track Record Period. We received 165, 220 and 210 tender invitations in the years ended 31 December 2017, 2018 and 2019, respectively. Our Directors believe that such large number of tender invitations from both new and existing customers shows that we experienced a strong demand for our services during the Track Record Period primarily attributable to our reputation of delivering quality work in the fitting-out industry. During the Track Record Period, we were able to secure contracts with new customers, such as a contract with contract sum over HK\$300.0 million in 2019 from a leading PRC property developer based in the Guangdong Province for a residential project in Tuen Mun.

We are capable to provide consistent work quality through adoption of systematic approach in management and operation and to manage costs and profit margins effectively and provide insights and refinements on customer’s proposals through maintenance of a comprehensive information database

We have adopted a systematic approach in management and operation.

According to the Frost & Sullivan Report, it is an industry practice that contractors would rely on project managers to control the project progress and quality and monitor sub-contractors. Our competitors may, to a large extent, rely on the experience or expertise of their project managers to oversee project management. However, in view that different projects are normally overseen by different project managers and to ensure the consistency of our service quality, we have formulated an objective quality control system that consists of various checklists and policies derived from the past experience

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and know-how of our management to be implemented by our project managers to evaluate and control the project progress and quality. Such systematic approach allows our Group to attain desired quality without relying on the ability, experience or subjective judgment of particular project managers.

According to the Frost & Sullivan Report, it is an industry practice that contractors would generally engage sub-contractors for project delivery. We differ from our competitors who may, to a large extent, rely on their sub-contractors to complete the works, as we ensure that our on-site project team consists of our direct labour to carry out part of the works to demonstrate the standard required for the sub-contractors to adopt for the remaining works, so as to ensure that our services provided are of consistent quality.

In addition, we maintain a comprehensive information database which stores statistics and data we collected from our previous projects for our staff to make reference to from time to time in order to make a more accurate estimation on project costs plus an appropriate profit margin. Our Group is capable of providing insights and refinements on customer's proposals based on the information database, which differentiates us from our competitors who may simply work on the design or actual drawings provided by customers.

Our Directors are of the opinion that with our systematic approach and information database, we may ensure that our services are of consistent quality and experience-based industry knowledge and know-how may be readily retrieved, which may in turn increase our competitive edge.

Furthermore, our management system was accredited with ISO 9001:2015 as at the Latest Practicable Date. Our Directors believe that such accreditation demonstrates the soundness and effectiveness of our systematic management system and serves to enhance the customers' confidence in our services.

We make use of up-to-date technologies to aid our business operation so as to improve our work efficiency

Although the fitting-out industry is often regarded as a traditional industry, according to the Frost & Sullivan Report, the application of latest information technology may reduce human errors and has become one of market trends in the fitting-out industry in Hong Kong. To maintain our competitive edge, we apply the up-to-date technologies to aid our business operation. In particular, we make use of three-dimensional laser scanning and electronic measurement technologies to perform work in a more accurate and cost-effective manner with a view to minimise human errors and prevent incurring additional cost to rectify defects.

We maintain stable business relationships with our major customers, suppliers and sub-contractors

With over 15 years of operating history, we have established stable business relationships with our major customers including long term working relationships with some prominent property developers in Hong Kong. As at the Latest Practicable Date, we have maintained business relationships with our five largest customers from one to 15 years. In particular, we have been serving SHK Group since 2004, and have been an approved contractor of SHK Group since 2009. We have also been serving NW Group since 2012. We are often invited to submit tenders for fitting-out projects, and we have from time to time been selected or nominated by property developers to provide fitting-out works for their property

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projects. We had 19, 10 and 11 recurring customers in each year of the Track Record Period, who together contributed approximately 95.7%, 98.0% and 93.8% of our Group's revenue, for the years ended 31 December 2017, 2018 and 2019, respectively.

We have established stable business relationships with our suppliers and sub-contractors. As at the Latest Practicable Date, we had over 168 suppliers and sub-contractors on our internal lists of approved suppliers and sub-contractors, and we have been working with our five largest suppliers from one to 13 years and our five largest sub-contractors from one to ten years, respectively. We strive to maintain sufficient support to our sub-contractors so as to ensure that they can attain our requisite work standard by requiring them to adhere to our guidelines and checklists for our sub-contractors. We ensure that our on-site project team consists of our direct labour to carry out part of the works to demonstrate the standard required for our sub-contractors to adopt for the remaining works and to devise solutions to technical problems, where necessary, before delegating the remaining work to our sub-contractors. We communicate and coordinate with our suppliers and sub-contractors from time to time to understand the problems encountered by them and provide timely support. Our Directors believe that our approach of maintaining regular communication and sufficient support distinguishes us from our competitors, helps us maintain stable relationship with our suppliers and sub-contractors and enables us to secure stable source of material supply and services, which may reduce the risk of shortage in delivery of materials or services causing material disruption to our works.

We are led by our experienced management team with in-depth knowledge and experience of the fitting-out industry

We are led by a team of dedicated management personnel with substantial experience in the fitting-out industry in which many of them have been working with our Group for over ten years. Our management team is led by Mr. Ng, chairman of our Board, executive Director and Controlling Shareholder, who has over 28 years of experience in the industry. Mr. Leung Man Chun, our contract manager and also a member of our senior management team, has over 20 years of experience in the construction industry and project management, and has been working with our Group since June 2008. Mr. Choi Yuk Ming, our financial controller and also a member of our senior management team, has over 20 years of experience in accounting, and has been working with our Group since December 2007. We believe that the in-depth knowledge and experience of our executive Directors and senior management in the fitting-out industry, have led, and will continue to lead our Group to capture market opportunities and formulate and implement development strategies effectively. For the experience and qualifications of our Directors and senior management, please refer to the section headed "Directors and senior management" in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to maintain and strengthen our market position as an established fitting-out contractor in Hong Kong by adopting the following strategies.

Expand our market share through undertaking more large-scale fitting-out projects for different customers to diversify our customer base

During the years ended 31 December 2017, 2018 and 2019, we focused on providing fitting-out services for residential and commercial properties in Hong Kong, and the corresponding revenue represented approximately 98.8%, 98.9% and 99.4% of our total revenue, respectively. According to the Frost & Sullivan Report, the total gross output value of the fitting-out works market is anticipated to increase from approximately HK\$70.6 billion in 2020 to approximately HK\$99.5 billion by the end of 2024 at a CAGR of approximately 9.0%. In particular, the gross output value generated from the residential fitting-out works is anticipated to increase from approximately HK\$29.3 billion in 2020 to approximately HK\$43.6 billion by the end of 2024 at a CAGR of approximately 10.4%. Such anticipated growth is attributable to the expected increase of supply of residential units and completion of several luxurious property development projects in Pak Shek Kok of the New Territories. According to the Transport and Housing Bureau's Long Term Housing Strategy Annual Progress Report 2019, based on the latest projection as at the end of September 2019, the estimated supply of first-hand private residential flats for the coming three to four years is about 93,000 units. Our Directors believe that such supply in private residential flats is expected to boost the demand for fitting-out works. The gross output value generated from commercial fitting-out works is anticipated to increase from approximately HK\$37.2 billion in 2020 to approximately HK\$51.3 billion by the end of 2024 at a CAGR of approximately 8.4%, and such anticipated growth is attributable to the expected increase of more PRC enterprises and multinational enterprises establishing their office branch in Hong Kong in the future years, according to the Frost & Sullivan Report. Our Directors consider that we can take advantage of the emerging opportunities driven by the expected growth in the residential and commercial fitting-out industry to expand our market share and revenue base.

According to the Frost & Sullivan Report, it is estimated that our Group's market share in the fitting-out industry in Hong Kong is approximately 1.2% in 2018 in terms of revenue. During the Track Record Period, we secured most of our fitting-out projects through tender process. According to the Frost & Sullivan Report, project owners/main contractors generally inquire the financial positions of the contractors, and in general, given similar industry reputation, accreditation of industry standards and job reference, contractors without enough capital and financial resources are less likely to be considered in the tender process, especially for some large-scale projects with contract sum of HK\$50.0 million or above. During the Track Record Period, we had submitted 402 tenders and were awarded 49 contracts. For a more detailed analysis on our tender success rate, please refer to the paragraph headed "Sales and marketing — Tender success rate" in this section. Our Directors consider that our tender success rate is partially affected by our limited available capital and financial resources which may have made it difficult for us to stand out from our industry peers who may possess more capital and financial resources despite our consistent quality of work and other competitive edges. Besides, due to our limited available capital and financial resources, we were inclined to undertake fitting-out projects with existing customers such as NW Group as property developer and SHK Group during the Track Record Period, as we generally do not expect to experience net cash outflow during project implementation when we work on fitting-out projects of NW Group as property developer and SHK Group. However, our Directors

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consider that our tendency to undertake more fitting-out projects of NW Group as property developer or SHK Group in the past might limit our customer portfolio and might not be beneficial to the long-term growth and development of our Group.

During the Track Record Period, we provided fitting-out services of similar scope and complexity to NW Group as property developer and SHK Group and other customers. Please refer to the tables disclosed in the paragraphs headed “Projects — Fitting-out projects — Completed projects” and “Projects — Fitting-out projects — Projects on hand” in this section which set out the details of completed or ongoing fitting out projects on hand performed by us for different customers with total contract sum exceeding HK\$50.0 million during the Track Record Period and up to the Latest Practicable Date. To the best knowledge of our Directors, in general, most of the fitting-out projects we undertook for NW Group as property developer and SHK Group during the Track Record Period were of relatively smaller scale in terms of contract sum. However, during the Track Record Period, we also completed several large-scale projects for NW Group as property developer and SHK Group, like Project P6, P2, P37 and P39 (Project reference number corresponds with the tables disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Completed projects”), which, in the opinion of our Directors, was objective evidence that we were also capable to undertake fitting-out projects of larger scale. Our Directors also believe that our techniques and experience in serving NW Group as property developer and SHK Group in these large-scale fitting-out projects are transferable and can be applied to serving other customers.

We therefore plan to expand our market share through undertaking more large-scale fitting-out projects with contract sum of HK\$50.0 million or above per project for customers other than NW Group as property developer and SHK Group to diversify our customer base so as to reduce our customer concentration risk. During the Track Record period, the gross profit margin of our completed fitting-out projects of customers other than NW Group as property developer and SHK Group was lower by approximately 2.0 percentage points than that of our completed fitting-out projects of NW Group as property developer and SHK Group. Such difference was not considered as material by our Directors, given that we noticed that there were a substantial number of large-scale projects from customers other than NW Group as property developer and SHK Group in the market from the tender invitations we received during the Track Record Period, and that among all our tendered fitting-out projects as at the Latest Practicable Date, only six projects for NW Group as property developer or SHK Group were of expected contract sum higher than HK\$50.0 million, while 14 projects for customers other than NW Group as property developer and SHK Group were with expected contract sum higher than HK\$50.0 million. Please refer to the paragraph headed “Projects — Fitting-out projects — Details of fitting-out projects we had submitted tenders as at the Latest Practicable Date” in this section for more details. If the tenders of such large-scale fitting-out projects for customers other than NW Group as property developer and SHK Group were successful, we expect the revenue we would receive thereunder and hence the resulting gross profits, to outweigh the immaterial difference in gross profit margins.

Given our established reputation and proven track record in the fitting-out industry, our Directors are of the view that with the net proceeds from the Share Offer, we will be able to strengthen our capital and financial resources and further expand our market share in Hong Kong by undertaking more large-scale fitting-out projects for different customers with contract sum of HK\$50.0 million or above per project.

Strengthen our financial position to satisfy our Upfront Costs and surety bonds requirements

Our Directors expect that we would need extra capital and financial resources to satisfy our Upfront Costs and surety bonds requirements in diversifying our customer base and expanding our market share.

Upfront Costs requirement

We may experience net cash outflow at the early stage of a project as we are generally required to bear Upfront Costs before we receive progress payments from our customers. In general, our customers withhold up to 10% of the sum of each of our progress payment and subject to a maximum of 5% of the original contract sum as retention money, half of which will be released upon practical completion of a project, and the remaining will be released upon expiry of the relevant defects liability period (which is, in general, ranging from 12 to 24 months after practical completion of the project) or issuance of the certificate of making good defects. We generally pay our suppliers and sub-contractors around 30 days after they issue their invoice. Although such cash outflow of payment of Upfront Costs to supplier or sub-contractor may be followed by a cash inflow of payment from customer afterwards, the accumulated amount of cash outflow would typically exceed the accumulated amount of cash inflow during the early stage of a project, and the cash outflow effect was relatively more significant for those fitting-out projects involving a larger amount of Upfront Costs and/or customers that pay us after a longer period of time from our payment application, and it usually took longer time for the net cash out flows of such projects to reach breakeven during the Track Record Period.

To the best knowledge of our Directors, NW Group as property developer and SHK Group tend to perform plastering works and sourcing of materials like marble and tiles (volume needed may be substantial, contributing to substantial costs) by themselves, while other customers often require us to supply substantial amounts of materials for their fitting-out projects, which significantly increases our Upfront Costs for their fitting-out projects. Our customers make progress payments to us according to our work progress and generally work progress is less substantial at the beginning of the projects, therefore the amount of work that could be submitted for payment application and thus the amount of payment we could receive from our customers might be much less than the Upfront Costs that kept on accumulating when substantial amounts of materials and sub-contractors who performed work with the materials were needed at the beginning of the projects. The cash outflow situation would usually improve as the project progresses and more substantial works are completed by us. Based on our experience during the Track Record Period, if we worked on fitting-out projects for NW Group as property developer or SHK Group, given the insignificant amount of Upfront Costs to the contract sum on average and we generally received payment around 30 days after we made payment application, our Upfront Costs for these projects were normally recouped in full after approximately three months on average after they were incurred and would not cause significant cash outflow. For other customers during the Track Record Period, in contrast, as substantial amounts of materials and sub-contractors who performed work with the materials were needed at the beginning of the projects that contributed to significant amount of Upfront Costs, and we generally received payment around 90 days after we made payment application, our Upfront Costs for those fitting-out projects for customers other than NW Group as property developer and SHK Group with an original contract sum of HK\$50.0 million or above were generally recouped in full only after approximately 13.0 months on average since they have been incurred, resulting in substantial net cash outflow during the relevant period.

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Our customers may make advance payments to us before the projects commence according to contract terms. From our past experience and to the best knowledge of our Directors, we may not usually receive advance payments for most of the fitting-out projects of customers other than NW Group as property developer and SHK Group. During the Track Record Period, we only received advance payments for two fitting-out projects from customers other than NW Group as property developer and SHK Group. Based on such experience during the Track Record Period, we expect to experience financial liquidity issues if we take up more large-scale fitting-out projects for customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above per project simultaneously at the same time.

Surety bonds requirement

In addition, according to the Frost & Sullivan Report, it is an industry norm that contractors are required to provide surety bonds to customers. From our experience during the Track Record Period and based on the best knowledge of our Directors, NW Group as property developer and SHK Group, in general, did not require contractors to provide surety bonds due to their internal policy. During the Track Record Period, if we worked on fitting-out projects of other customers, in line with the industry norm, we were often required to provide surety bonds in the amount of certain percentage, usually equivalent to 10%, of the original contract sum, in favour of our customers to ensure our due performance.

According to the Frost & Sullivan Report, it is industry practice that insurance companies will require directors of a contractor company to give guarantees, so that the insurance companies will grant the surety bond with the contractor company only depositing a fraction of the equivalent value of the surety bonds to the insurance companies (where the amount of deposit is usually proportional to the contract value), while banking institutions usually require deposit representing full amount of value of the surety bonds. During the Track Record Period, our surety bonds were generally issued by insurance companies and secured by guarantees of directors of Success Base Engineering including Mr. Ng and/or his associates, further details of such guarantees are set out in the paragraph headed “Relationship with our Controlling Shareholders — Financial independence” in this prospectus, and deposits pledged with the insurance companies. The deposits pledged with the insurance companies in general amounted to approximately 20% to 30% of the value of the surety bonds. For the years ended 31 December 2017, 2018 and 2019, the amount of deposits we pledged for the issuance of surety bonds for our projects amounted to approximately HK\$10.7 million, HK\$8.3 million and HK\$17.1 million, respectively. The surety bonds and the corresponding amount of deposit pledged will usually only be released after the issuance of certificate of the practical completion or the certificate of making good defects, subject to contract terms. During the Track Record Period, our fitting-out projects took around 22 to 36 months from the moment we pledged the deposit to insurance company to practical completion, and around one to two years from practical completion to getting the certificate of making good defects. For further details of the movement in the amount of the deposits pledged for surety bonds we were required to provide to our customers during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed “Operation procedures — Fitting-out services — Project practical completion — Surety bonds” in this section. According to the Frost & Sullivan Report, insurance companies may require contractors to pledge deposit representing the full value of the surety bonds until their current bonds are released.

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As at the Latest Practicable Date, we have been notified by major insurance companies in Hong Kong that we will have to pledge deposits representing full amount of the value of the surety bonds for any of those to be issued for newly-awarded fitting-out projects (those usually include newly-awarded fitting-out projects of customers other than NW Group as property developer and SHK Group) until the surety bonds for our current fitting-out projects are released. As at the Latest Practicable Date, our Directors expect that the earliest time for our current surety bonds to be released in part will be July 2021. As we target to undertake more large-scale projects with contract sum of HK\$50.0 million or above per project, the surety bond requirements, if any, may require us to deposit full amount of the value of the surety bonds (usually amounting to 10% of the relevant original contract sum) with the insurance companies, locking up a significant portion of our capital during the term of the surety bond and thereby severely affecting our liquidity position.

Taking into account the above, our Directors are of the view that the number and size of projects we are able to undertake, and for different customers, may be restricted by our capital and financial resources. During the Track Record Period, there were instances that we elected not to proceed with tender submission nor formulate any tender price when our management, based on their experience, considered that we had insufficient capital and financial resources to undertake the projects. Also, during the Track Record Period, due to insufficient capital and financial resources, our management believe that we have set a higher profit margin for the tender prices for some tender submissions, which might have made our price less competitive than our industry peers, and the aggregate tender prices of those relevant tender submissions amounted to approximately HK\$2,794.5 million. To implement our strategy to undertake more large-scale fitting-out projects for different customers with contract sum of HK\$50.0 million or above per project in order to diversify our customer base and to expand our market share, we intend to utilise approximately HK\$30.9 million and HK\$44.9 million of the net proceeds from the Share Offer to strengthen our financial position in order to fund our Upfront Costs and issuance of surety bonds, respectively, for such projects.

For further details relating to our future plans and use of proceeds from the Share Offer, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

SERVICES PROVIDED BY OUR GROUP

We are a contractor based in Hong Kong providing fitting-out services and repair and maintenance services. The following table sets forth the breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Fitting-out services	546,296	98.8	759,587	98.9	874,477	99.4
Repair and maintenance services	6,356	1.2	8,558	1.1	4,924	0.6
Total	<u>552,652</u>	<u>100.0</u>	<u>768,145</u>	<u>100.0</u>	<u>879,401</u>	<u>100.0</u>

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We adopt a systematic approach in management and operation. We have formulated an objective quality control system that consists of various checklists and policies derived from the past experience and know-how of our management to be implemented by our project managers to evaluate and control the project progress and quality. We also maintain an information database to store statistics and data we collected from our previous projects for our staff to make reference from time to time to make a more accurate estimation on project costs plus an appropriate profit margin. We often provide insights and refinements on customer's proposals based on the information database. By establishing uniform standard and an information database to guide our operation and management, we may minimise our reliance on the subjective judgment of project managers and be capable to provide work of consistent quality in a timely manner to fulfill our customers' requirements. We apply the up-to-date technologies to aid our business operation. In particular, we make use of three-dimensional laser scanning and electronic measurement technologies to perform work in a more accurate and cost-effective manner with a view to minimise human errors and prevent incurring additional cost to rectify defects.

We source fitting-out raw materials and doors, furniture and accessories tailor-made according to the specifications of our customers from our suppliers. For further details of our procurement arrangement, please refer to the paragraph headed "Procurement" in this section.

We may delegate part of our installation or other technical works to our sub-contractors, but we ensure that our on-site project team consists of our direct labour to carry out part of the works to demonstrate the standard required for our sub-contractors to adopt for the remaining works. For further details of our sub-contracting arrangements, please refer to the paragraph headed "Sub-contracting" in this section.

During the Track Record Period, we focused on providing fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong. The following table sets forth the breakdown of our revenue by property type during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Residential	436,470	79.0	449,108	58.5	567,283	64.5
Commercial <i>(Note)</i>	116,182	21.0	319,037	41.5	312,118	35.5
Total	552,652	100.0	768,145	100.0	879,401	100.0

Note: The category "commercial" mainly includes retail shops, offices, shopping arcades, commercial clubhouses, hotels and service apartments.

Fitting-out services

We provide fitting-out services mainly on a project-by-project basis. Our fitting-out services mainly cover ceiling, flooring, wall, lighting, glass, metal, wood, stone and plastering works conducted on new buildings and property projects. We also source and install doors, furniture and accessories tailor-made according to the specifications of our customers as part of our fitting-out services. Our fitting-out projects are mostly awarded through competitive tenders, with a small number of projects

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from individuals obtained through quotation invitations. During the Track Record Period, we focused on providing fitting-out services for residential and commercial properties in Hong Kong. We have provided our services for a number of prominent property projects of established property developers in Hong Kong, including Victoria Harbour Residence, Phase IV of LOHAS Park, St. Martin, Victoria Dockside, Fleur Pavilia, Mount Pavilia and The Spectra.

Residential properties

Fitting-out services on residential properties usually involve new residential property projects of the major property developers in Hong Kong. These projects typically involve supply and installation of doors, furniture and accessories like cabinets, mirrors, glass partitions, counters, drawers, shelves and sanitary wares tailor-made in accordance with the specifications of our customers which we source from our suppliers, installation of items provided by our customers like bathroom items, and provision of ceiling, flooring, wall, lighting, glass, metal, wood, stone and plastering works both within residential units and outside for corridors, lobbies and lifts.

Commercial properties

Fitting-out services on commercial properties usually involve new commercial property projects of the major property developers in Hong Kong. Fitting-out services on commercial properties usually involves services similar to those provided to residential properties, but provided to retail shops, offices, shopping arcades, commercial clubhouses, hotels and service apartments.

Repair and maintenance services

Our Group also provides repair and maintenance services, mainly for existing residential properties and retail shops in Hong Kong on an ad-hoc basis. Our repair and maintenance services mainly cover upgrade, restoration and improvement, and repair, replacement or installation of interior decorative parts conducted on existing buildings. Our repair and maintenance services are usually awarded through quotation invitations.

PROJECTS

Fitting-out projects

During the Track Record Period and up to the Latest Practicable Date, we had completed 20 fitting-out projects with an aggregate total contract sum amounting to approximately HK\$1,093.5 million.

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Number of fitting-out projects by range of revenue recognised

The following table sets forth a breakdown of fitting-out projects based on their respective range of revenue recognised during the Track Record Period and up to the Latest Practicable Date:

	<u>For the year ended 31 December</u>			From 1 January 2020 to the Latest Practicable Date
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Date</u>
	<i>Number of projects</i>			
Revenue recognised <i>(Note)</i>				
Above HK\$100.0 million	—	1	1	—
HK\$50.0 million to below HK\$100.0 million	4	4	4	1
HK\$10.0 million to below HK\$50.0 million	10	10	11	6
Below HK\$10.0 million	<u>37</u>	<u>32</u>	<u>34</u>	<u>19</u>
Total	<u><u>51</u></u>	<u><u>47</u></u>	<u><u>50</u></u>	<u><u>26</u></u>

Note: Revenue recognised during the Track Record Period included revenue recognised from variation orders of fitting-out projects completed in the preceding year(s).

Number of fitting-out projects by range of total contract sum

The following table sets forth a breakdown of the number of fitting-out projects with revenue recognised during the Track Record Period and up to the Latest Practicable Date by range of total contract sum taking into account variation orders:

	<u>For the year ended 31 December</u>			From 1 January 2020 to the Latest Practicable Date
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Date</u>
	<i>Number of projects</i>			
Total contract sum				
Above HK\$100.0 million	8	9	12	8
HK\$50.0 million to below HK\$100.0 million	10	11	14	6
HK\$10.0 million to below HK\$50.0 million	18	16	10	6
Below HK\$10.0 million	<u>15</u>	<u>11</u>	<u>14</u>	<u>6</u>
Total	<u><u>51</u></u>	<u><u>47</u></u>	<u><u>50</u></u>	<u><u>26</u></u>
Average total contract sum per project	<u>HK\$46.2 million</u>	<u>HK\$59.1 million</u>	<u>HK\$70.6 million</u>	<u>HK\$88.2 million</u>

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Movement in the number of fitting-out projects

The following table sets forth movement in the number of fitting-out projects of NW Group as property developer and SHK Group and other customers during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			From
	2017	2018	2019	1 January
				2020 to
				the Latest
				Practicable
				Date
	<i>Number of projects</i>			
Number of ongoing projects at the beginning of the year/period ^(Note 1)	26	30	33	36
● NW Group as property developer and SHK Group	16	19	17	19
● Other customers	10	11	16	17
Number of awarded projects during the year/period ^(Note 2)	5	12	13	3
● NW Group as property developer and SHK Group	3	6	7	1
● Other customers	2	6	6	2
Number of completed projects during the year/period ^(Note 3)	1	9	10	—
● NW Group as property developer and SHK Group	—	8	5	—
● Other customers	1	1	5	—
Number of projects carried forward to next year/period ^(Note 4)	30	33	36	39
● NW Group as property developer and SHK Group	19	17	19	20
● Other customers	11	16	17	19

Notes:

1. Number of ongoing projects at the beginning of the year/period means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.
2. Number of new projects awarded during the year/period includes new projects awarded to us during the relevant year/period and those projects tendered in the preceding year/period which were awarded in the relevant year or period.
3. Number of completed projects represents the number of projects of which the final account was concluded.
4. Number of projects carried forward to next year/period is equal to the number of ongoing projects at the beginning of the year/period plus the number of awarded projects during the year/period minus the number of projects completed during the year/period.

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Movement in the outstanding contract value of fitting-out projects

The following table sets out the movement in the outstanding contract value of fitting-out projects of NW Group as property developer and SHK Group and other customers during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			From 1 January 2020 to the Latest Practicable Date
	2017	2018	2019	Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Opening contract value brought forward from last year	906,056	743,473	613,257	801,573
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	565,538	550,726	426,302	311,037
	340,518	192,747	186,955	490,536
Aggregate contract sum of new projects and variation orders of existing projects <i>(Note 1)</i>	383,713	629,371	1,062,793	362,637
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	279,215	343,695	431,175	11,436
	104,498	285,676	631,618	351,201
Revenue recognised <i>(Note 2)</i>	(546,296)	(759,587)	(874,477)	(257,328)
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	(294,027)	(468,119)	(546,440)	(92,653)
	(252,269)	(291,468)	(328,037)	(164,675)
Outstanding contract value as at the year/period end date <i>(Note 3)</i>	743,473	613,257	801,573	906,882
<ul style="list-style-type: none"> ● NW Group as property developer and SHK Group ● Other customers 	550,726	426,302	311,037	229,820
	192,747	186,955	490,536	677,062

Notes:

1. Such contract sum represents the aggregate amount of original contract sum of new projects awarded to us during the relevant year/period, including contract sum of those projects tendered in the preceding year which are awarded to us in the relevant period, and the additions, modifications due to subsequent variation orders of existing projects during the relevant year/period.
2. The revenue recognised included variation orders which amounted to approximately HK\$62.6 million, HK\$51.1 million, HK\$110.3 million and HK\$28.7 million for the years ended 31 December 2017, 2018 and 2019, and from 1 January 2020 to the Latest Practicable Date respectively. The revenue recognised for each year ended 31 December 2017, 2018 and 2019 represents the audited revenue recognised for each of the years ended 31 December 2017, 2018 and 2019, and the revenue recognised for the period from 1 January 2020 to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions, modifications due to subsequent variation orders during the relevant period.
3. Outstanding contract value as at the year/period end date refers to the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been fully completed or subject to agreement or final account with our customers as at the end of the relevant year/period.

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Completed projects

During the Track Record Period and up to the Latest Practicable Date, we had completed 20 projects with an aggregate total contract sum amounting to approximately HK\$1,093.5 million, among which seven were major projects with total contract sum exceeding HK\$50.0 million each. The following table sets forth the details of such completed projects with total contract sum exceeding HK\$50.0 million each (in descending order by contract sum):

Project code	Customer	Customer type	Property type	Location	Scope of works	Duration ^(Note 1)	Total contract sum ^(Note 2)	Revenue recognised during the Track Record Period For the year ended 31 December		
								2017	2018	2019
							HK\$'000	HK\$'000	HK\$'000	HK\$'000
P6	NW Group	Property developer	Commercial	Tsim Sha Tsui	Supply and installation of doors and cabinets and provision of ceiling, flooring, lighting and wall works within hotel guestrooms, lift lobbies and lifts.	February 2016 to December 2019	223,678	37,453	149,174	21,926
P2	NW Group	Property developer	Commercial	Tsim Sha Tsui	Supply and installation of mirrors and provision of ceiling, flooring, lighting and wall works within a shopping arcade, main atrium, lift lobbies, lifts and restrooms.	December 2017 to December 2019	195,775	68,126	49,710	60,785
P37	SHK Group	Property developer	Residential	Tung Chung	Supply and installation of doors, cabinets, sanitary wares, installation of bathroom items and provision of ceiling, wood, glass, lighting, metal and wall works within bathrooms and kitchens of residential units, lift lobbies, lifts and corridors.	February 2015 to January 2019	185,224	10,945	(452) ^(Notes 3&4)	(1,282) ^(Notes 3&5)
P38	Customer F	Contractor	Residential	Tuen Mun	Supply and installation of cabinets, sanitary wares, installation of bathroom items and provision of ceiling, stone, glass, metal and wall works within bathrooms and kitchens of residential units.	May 2015 to September 2019	148,896	30,585	11,504	(4,878) ^(Notes 3&6)
P39	NW Group	Property developer	Commercial	Central	Supply and installation of sanitary wares and provision of ceiling, wood, glass and wall works within lift lobbies, lifts, restrooms and corridors.	May 2014 to September 2018	62,514	(2,932) ^(Notes 3&7)	1,999	14
P40	Other customer	Contractor	Residential	Tai Lok Tsui	Supply and installation of doors, cabinets, installation of bathroom items and provision of ceiling, flooring, stone and plastering, glass, lighting and wall works within bathrooms and kitchens of residential units, lift lobbies, lifts.	June 2014 to December 2019	52,844	293	3,699	(2,537) ^(Notes 3&8)
P41	Other customer	Contractor	Residential	Causeway Bay	Supply and installation of sanitary wares and provision of ceiling, flooring, lighting and wall works within lift lobbies, lifts and corridors.	January 2014 to February 2018	52,797	4,345	102	445

Notes:

1. The project commencement date is determined based on the date of the letter of acceptance (or equivalent document) or contract or first payment application to customer while the project completion date is determined based on the date the final account was concluded, or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.
2. The total contract sum represents the estimated original contract sum stated in the contract taking into account subsequent adjustments due to variation orders.
3. According to the HKFRS 15 "Revenue from contracts with customers", for fitting-out contracts that contain variable consideration such as variations in contract work, our Group estimates the revenue to which we will be entitled to using the most likely amount. Actual outcome in terms of total revenue may be higher or lower than estimation at the end of the reporting period, which would affect the revenue recognised in future years as an adjustment to the amounts recorded to date.
4. Negative revenue contribution was mainly attributable to change in value of variation orders during stage final account negotiation for P37 during the year ended 31 December 2018 resulting in a reduction of total contract sum, which led to a reverse of revenue recognised during the year ended 31 December 2018.
5. Negative revenue contribution was mainly attributable to change in value of variation orders during negotiation of remaining final accounts for P37 during the year ended 31 December 2019 resulting in a reduction of total contract sum, which led to a reverse of revenue recognised during the year ended 31 December 2019.
6. Negative revenue contribution was mainly attributable to change in value of variation orders during final account negotiation for P38 during the year ended 31 December 2019 resulting in a reduction of total contract sum, which led to a reverse of revenue recognised during the year ended 31 December 2019.
7. Negative revenue contribution was mainly attributable to change in value of variation orders during final account negotiation for P39 during the year ended 31 December 2018 resulting in a reduction of total contract sum, which led to a reverse of revenue recognised during the year ended 31 December 2018.
8. Negative revenue contribution was mainly attributable to change in value of variation orders during final account negotiation for P40 during the year ended 31 December 2019 resulting in a reduction of total contract sum, which led to a reverse of revenue recognised during the year ended 31 December 2019.

Projects on hand

As at the Latest Practicable Date, we had a total of 39 fitting-out projects on hand, which included fitting-out projects that have commenced but not completed and fitting-out projects that have been awarded to us but not yet commenced, with an aggregate total contract sum of HK\$2,932.6 million, of which approximately HK\$814.4 million are expected to be recognised in the year ending 31 December 2020, approximately HK\$340.9 million are expected to be recognised in the year ending 31 December 2021, and approximately HK\$8.9 million are expected to be recognised in the year ending 31 December 2022. Among these projects on hand, 21 projects were with total contract sum of HK\$50.0 million or above. The aggregate total contract sum of these 21 projects amounted to approximately HK\$2,566.4 million.

The following table sets forth the details of our fitting-out projects on hand with total contract sum equal to or above HK\$50.0 million each as at the Latest Practicable Date (in descending order by contract sum):

Project code	Customer	Customer type	Property type	Location	Scope of works	Expected project duration <small>(Note 1)</small>	Total Revenue recognised during the Track Record Period				Estimated revenue to be recognised during each financial year going forward			
							For the year ended 31 December				For the year ending 31 December			
						2017	2018	2019	2020	2021	2022			
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
P13	Customer F	Contractor	Residential	Tuen Mun	Supply and installation of doors and mirrors and provision of ceiling, flooring, lighting and wall works within residential units.	April 2019 to June 2023	314,349	—	82,959	231,390	—	—	—	—
P7 ^(Note 3)	SHK Group	Property Developer	Residential	Tsung Kwan O	Supply and installation of doors and cabinets and provision of ceiling, lighting and wall works within bathrooms and kitchens of residential units, lift lobbies and corridors.	April 2017 to December 2020	186,097	5,748	93,928	85,615	806	—	—	—
P46	Customer F	Contractor	Residential	Wong Chuk Hang	Supply and installation of doors and provision of ceiling, flooring, lighting and wall works within bathrooms and kitchens of residential units and lift lobbies.	From May 2020 to November 2023	177,484	—	—	25,735	142,875	8,874	—	—

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Project code	Customer	Customer type	Property type	Location	Scope of works	Expected project duration ^(Note 1)	Total contract sum ^(Note 2)	Revenue recognised during the Track Record Period				Estimated revenue to be recognised during each financial year going forward		
								For the year ended 31 December 2017	2018	2019	2020	2021	2022	
							HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
P10 ^(Note 3)	SHK Group	Property Developer	Residential	Tai Po	Supply and installation of doors and sanitary wares and provision of ceiling, lighting and wall works within bathrooms and kitchens of residential units and lift lobbies.	June 2018 to December 2021	173,193	—	5,318	167,519	356	—	—	—
P26	NW Group	Contractor	Residential	Ap Lei Chau	Supply and installation of doors, cabinets and sanitary wares and provision of ceiling, flooring, lighting and wall works within residential units and lift lobbies.	From April 2020 to November 2024	172,664	—	—	—	62,159	110,451	—	—
P1 ^(Note 3)	Customer C	Contractor	Residential	Tsung Kwan O	Supply and installation of doors and cabinets and provision of ceiling, flooring, lighting and wall works within bathrooms of residential units and lift lobbies.	September 2016 to December 2020	169,456	82,317	75,813	8,755	—	—	—	—
P14	NW Group	Contractor	Residential	Tai Wai	Supply and installation of doors, cabinets, mirrors and installation of bathroom items and provision of ceiling, lighting, metal, wood and wall works within bathrooms and kitchens of residential units.	May 2019 to June 2023	164,832	—	—	6,954	118,318	39,560	—	—
P15	Customer G	Contractor	Residential	Beacon Hill	Supply and installation of doors, mirrors and sanitary wares and accessories and provision of ceiling, flooring, lighting and wall works within bathrooms and kitchens of residential units and lift lobbies and lifts.	February 2019 to June 2023	140,148	—	—	36,279	103,869	—	—	—

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Project code	Customer	Customer type	Property type	Location	Scope of works	Expected project duration <i>(Note 1)</i>	Total contract sum <i>(Note 2)</i>	Revenue recognised during the Track Record Period			Estimated revenue to be recognised during each financial year going forward		
								For the year ended 31 December 2017	2018	2019	2020	2021	2022
							HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
P4 ^(Note 3)	Customer D	Property Developer	Residential	Deep Water Bay	Supply and installation of doors, cabinets, sanitary wares, drawers and shelves, installation of bathroom items and provision of ceiling, flooring, wood, stone and plastering and wall works within bathrooms and kitchens of residential units and lift lobbies and lifts.	January 2016 to December 2020	123,001	57,784	36,805	951	—	—	—
P11 ^(Note 3)	Customer C	Contractor	Residential	Tai Po	Supply and installation of doors and cabinets and provision of ceiling, flooring, lighting and wall works within bathrooms and kitchens of residential units.	May 2018 to December 2021	98,096	—	15,128	82,335	633	—	—
P16	Customer H	Contractor	Residential	Kai Tak	Installation of bathroom items and provision of ceiling, lighting and wall works within bathrooms and kitchens of residential units.	October 2019 to December 2023	96,120	—	—	1,426	62,014	32,681	—
P5 ^(Note 3)	SHK Group	Property Developer	Residential	North Point	Supply and installation of doors, cabinets and sanitary wares, installation of bathroom items, provision of ceiling, glass, lighting, metal and wall works within bathrooms and kitchens of residential units, lift lobbies, lifts and corridors.	April 2016 to December 2020	95,001	45,123	15,764	8,116	—	—	—
P8 ^(Note 3)	NW Group	Contractor	Commercial	Kwun Tong	Supply and installation of doors, cabinets, counters and glass partitions and sanitary wares and provision of ceiling, flooring, lighting and wall works within office lift lobbies, restrooms, corridors, pantries and lifts.	June 2017 to June 2021	86,793	861	69,874	16,058	—	—	—
P17	SHK Group	Property Developer	Residential	North Point	Supply and installation of doors, sanitary wares, installation of bathroom items and provision of ceiling and wall works to bathrooms and kitchens of residential units and lift lobbies, lifts and corridors.	January 2019 to December 2022	86,649	—	—	33,420	53,229	—	—

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Project code	Customer	Customer type	Property type	Location	Scope of works	Expected project duration <i>(note 1)</i>	Total contract sum <i>(note 2)</i>	Revenue recognised during the Track Record Period				Estimated revenue to be recognised during each financial year going forward			
								For the year ended 31 December	2017	2018	2019	2020	2021	2022	
							HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
P9 ^(note 3)	SHK Group	Property Developer	Residential	Tseung Kwan O	Supply and installation of doors and cabinets and provision of ceiling, glass, lighting, metal and wall works within bathrooms and kitchens of residential units, lift lobbies, lifts and corridors.	November 2016 to December 2020	80,149	60,582	12,313	6,519	—	—	—	—	—
P9 ^(note 3)	SHK Group	Property Developer	Residential	Shau Kei Wan	Supply and installation of doors and cabinets, installation of bathroom items, and provision of ceiling and wall works within bathrooms, kitchens, bedrooms, living rooms of residential units, lift lobbies and lifts.	April 2017 to June 2021	77,649	10,431	54,984	12,234	—	—	—	—	—
P18 ^(note 3)	NW Group	Contractor	Commercial	Tai Po	Supply and installation of doors and sanitary wares and provision of ceiling, glass, lighting, flooring, metal, wood and wall works within lobbies and restrooms of towers.	April 2018 to December 2022	77,824	—	49,181	28,222	421	—	—	—	—
P19	NW Group	Contractor	Residential	Tai Wai	Supply and installation of doors and provision of ceiling, lighting, flooring, metal, wood and wall works within lift lobbies.	March 2019 to June 2023	73,462	—	—	820	57,950	14,692	—	—	—
P20	NW Group	Contractor	Commercial	Happy Valley	Supply and installation of doors, cabinets and sanitary wares and provision of ceiling, flooring, lighting, metal and wall works within a commercial clubhouse.	June 2018 to December 2022	66,894	—	3,033	49,385	14,476	—	—	—	—
P21 ^(note 3)	SHK Group	Property Developer	Commercial	Nam Cheong	Supply and installation of doors and mirrors and provision of ceiling, flooring, lighting, metal, wood and wall works within driveway, shopping arcade and restrooms.	June 2018 to March 2022	54,270	—	21,245	33,025	—	—	—	—	—

Project code	Customer	Customer type	Property type	Location	Scope of works	Expected project duration ^(Note 1)	Total contract sum ^(Note 2)	Revenue recognised during the Track Record Period			Estimated revenue to be recognised during each financial year going forward		
								For the year ended 31 December	2017	2018	2019	2020	2021
P22 ^(Note 3)	Chevalier (Construction) Company Limited	Contractor	Residential	Long Ping	Supply and installation of doors and mirrors and provision of ceiling, flooring, lighting, metal and wall works within lift lobbies and lifts.	November 2015 to June 2020	52,269	25,772	7,012	—	—	—	—
							HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
										(<i>unaudited</i>)	(<i>unaudited</i>)	(<i>unaudited</i>)	(<i>unaudited</i>)

Notes:

- The project start date is determined based on the date of the letter of acceptance (or equivalent document) or contract or first payment application to customer or our Directors' estimation and the project completion date is determined based on our Directors' estimation of when the final account will be concluded and may be subject to change taking into account the actual work schedule and variation orders (if any) as at the Latest Practicable Date and in the future.
- The total contract sum represents the estimated original contract sum stated in the contract taking into account subsequent adjustments due to variation orders.
- Projects P1, P3, P4, P5, P7, P8, P9, P10, P11, P18, P21 and P22 are practically completed as at 31 December 2019 and the defects liability period according to the contract terms has started, after which we will follow up with our customers for the final account, the conclusion of which would mark the project completion date. It takes time for us to negotiate with our customer to achieve an agreement on final account which may include the payment of the remaining retention money and the variation orders (if any) such that we may expect to continue to recognise revenue after practical completion (also with the possibility of recognising negative revenue, for more discussion of the negative revenues recorded during the Track Record Period, please refer to the paragraph headed "Projects — Fitting-out projects — Completed projects" in this section). Projects P10, P8, P1, P18, P7, P9 and P4 are our largest projects by contract assets as at 31 December 2019. For further discussion, please refer to the paragraph headed "Financial information — Analysis of various items in the consolidated statements of financial position — Contract assets and contract liabilities" in this prospectus.

Details of fitting-out projects we had submitted tenders as at the Latest Practicable Date

As at the Latest Practicable Date, 112 tenders for potential fitting-out projects are pending release of results (including projects that were tendered within 10 months from the Latest Practicable Date, the average time from receiving tender invitation to the award of contract during the Track Record Period) (“**Tendered Projects**”). Out of these 112 tenders, (i) 67 tenders were for NW Group as property developer or SHK Group with total expected contract sum of approximately HK\$1,449.3 million; and (ii) 45 tenders were for customers other than NW Group as property developer and SHK Group with total expected contract sum of approximately HK\$3,176.7 million.

For NW Group as property developer or SHK Group

For the years ended 31 December 2017, 2018 and 2019, NW Group and SHK Group were our largest customers in terms of the total revenue derived. Going forward, we plan to maintain solid business relationships with NW Group and SHK Group. Details of the Tendered Projects of NW Group as property developer or SHK Group with expected contract sum of HK\$50.0 million or above pending release of results are set forth below (in descending order by contract sum):

Project code	Location	Type of project	Expected project duration ^(Note 1)	Expected time of paying Upfront Costs	Expected time of issuing surety bond	Expected contract sum	Expected Upfront Costs amount (if any) ^(Note 2)	Expected surety bond amount (if any) ^(Note 3)	Tender status	Expected date of release of tender result
						HK\$'000	HK\$'000	HK\$'000		
P54	Central	Commercial fitting-out project	From February 2021 to May 2023	Not applicable	Not applicable	371,003	Nil	Nil	Invited to tender interview	January 2021
P56	Tsuen Wan	Commercial fitting-out project	From March 2021 to June 2023	Not applicable	Not applicable	97,574	Nil	Nil	Waiting for interview invitation	February 2021
P58	Tuen Mun	Residential fitting-out project	From April 2021 to July 2023	Not applicable	Not applicable	93,400	Nil	Nil	Waiting for interview invitation	March 2021
P55	Chek Lap Kok	Commercial fitting-out project	From January 2021 to December 2023	Not applicable	Not applicable	74,347	Nil	Nil	Waiting for interview invitation	December 2020
P43	Kwun Tong	Residential fitting-out project	From July 2020 to June 2025	Not applicable	Not applicable	69,816	Nil	Nil	Waiting for interview invitation	June 2020
P45	Tai Wai	Residential fitting-out project	From July 2020 to April 2025	Not applicable	Not applicable	53,432	Nil	Nil	Waiting for interview invitation	June 2020

Notes:

- The commencement of the expected project is determined based on the date of the letter of acceptance (or equivalent document) or contract or first payment application to customer while the completion of the expected project is determined based on the date the final account was concluded, or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) in the future.
- “Nil” means that based on our Directors' experience and taking into account our fitting-out projects for NW Group as property developer or SHK Group undertaken during the Track Record Period, we expect that the Upfront Costs for these projects will be insignificant in amount and will normally recoup soon (recouped in full after approximately three months on average for those fitting-out projects for these customers with an original contract sum of HK\$50.0 million or above during the Track Record Period) after they are incurred and will not cause significant cash outflow.
- Usually, the tender invitation documents would specify if we are required to provide surety bonds to customers for the relevant projects. “Nil” means that the relevant tender invitation documents did not specify that we are required to take out surety bonds for those projects.

For customers other than NW Group as property developer and SHK Group

We plan to expand our market share through undertaking more large-scale fitting-out projects with contract sum of HK\$50.0 million or above per project for customers other than NW Group as property developer and SHK Group to implement our business strategies as set out in the paragraphs headed “Business — Business strategies” and “Future plans and use of proceeds” in this prospectus. Details of the Tendered Projects of customers other than NW Group as property developer and SHK Group with expected contract sum of HK\$50.0 million or above pending release of results are set forth below (in descending order by contract sum):

Project code	Location	Type of project	Expected project duration ^(Note 1)	Expected time of paying Upfront Costs ^(Note 4)	Expected time of issuing surety bond ^(Note 4)	Expected contract sum	Expected Upfront Costs amount (if any) ^(Note 2)	Expected surety bond amount (if any) ^(Note 3)	Tender status	Expected date of release of tender result
P23	Kai Tak	Residential fitting-out project	From September 2020 to November 2024	From November 2020 to November 2021	November 2020	482,576	68,526	48,258	We provided best offer to customer	August 2020
P53	Kai Tak	Residential fitting-out project	From February 2021 to May 2023	From April 2021 to April 2022	April 2021	229,769	32,627	22,977	Tender was submitted in April 2020. Have not received tender queries	January 2021
P47	Tai Po	Residential fitting-out project	From October 2020 to February 2024	From December 2020 to December 2021	December 2020	171,542	24,359	17,154	Invited to tender interview	September 2020
P36	Wong Chuk Hang	Residential fitting-out project	From November 2020 to July 2024	From January 2021 to January 2022	January 2021	137,916	19,584	13,792	Invited to tender interview	October 2020
P50	Mong Kok	Residential fitting-out project	From February 2021 to January 2025	From April 2021 to March 2022	April 2021	126,914	18,022	12,691	Tender was submitted in March 2020. Have not received tender queries	January 2021
P59	Tai Kok Tsui	Residential fitting-out project	From May 2021 to April 2025	From July 2021 to July 2022	July 2021	108,630	15,425	10,863	Tender was submitted in June 2020. Have not received tender queries	April 2021
P57	Kwun Tong	Residential fitting-out project	From April 2021 to June 2025	From June 2021 to June 2022	June 2021	103,024	14,629	10,302	Tender was submitted in May 2020. Have not received tender queries	March 2021
P29	Kai Tak	Residential fitting-out project	From September 2020 to June 2024	From November 2020 to November 2021	November 2020	102,585	14,567	10,258	Invited to tender interview	August 2020

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Project code	Location	Type of project	Expected project duration ^(Note 1)	Expected time of paying Upfront Costs ^(Note 4)	Expected time of issuing surety bond ^(Note 4)	Expected contract sum ^(Note 2)	Expected Upfront Costs amount (if any) ^(Note 2)	Expected surety bond amount (if any) ^(Note 3)	Tender status	Expected date of release of tender result
						HK\$'000	HK\$'000	HK\$'000		
P51	Kowloon Tong	Residential fitting-out project	From February 2021 to January 2024	From April 2021 to March 2022	April 2021	89,141	12,658	8,914	Replying to tender queries	January 2021
P60	Tsing Yi	Residential fitting-out project	From May 2021 to April 2024	From July 2021 to July 2022	July 2021	75,650	10,742	7,565	Replying to tender queries	April 2021
P52	Cheung Sha Wan	Residential fitting-out project	From February 2021 to January 2024	From April 2021 to March 2022	April 2021	72,855	10,345	7,286	We provided best offer to customer	January 2021
P35	Sai Ying Pun	Residential fitting-out project	From October 2020 to December 2023	From December 2020 to December 2021	December 2020	55,255	7,846	5,526	Tender was submitted in November 2019. Have not received tender queries	September 2020
P32	Sha Tin	Residential fitting-out project	From August 2020 to November 2023	From October 2020 to October 2021	October 2020	51,442	7,305	5,144	Tender was submitted in September 2019. Have not received tender queries	July 2020
P33	Mong Kok	Commercial fitting-out project	From August 2020 to November 2023	From October 2020 to October 2021	October 2020	50,071	7,110	5,007	Tender was submitted in September 2019. Have not received tender queries	July 2020

Notes:

- The commencement of the expected project is determined based on the date of the letter of acceptance (or equivalent document) or contract or first payment application to customer while the completion of the expected project is determined based on the date the final account was concluded, or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) and in the future.
- The estimated sum of Upfront Costs represents approximately 14.2% of the contract sum on average, based on our Directors' experience and taking into account our fitting-out projects of customers other than NW Group as property developer and SHK Group with an original contract sum of HK\$50.0 million or above undertaken during the Track Record Period.
- Usually, the tender invitation documents would specify if we are required to provide surety bonds to customers for the relevant projects. For the projects where we were required to provide surety bonds, the sum of surety bond required was equivalent to 10% of the original contract sum as specified in the tender invitation documents.
- The estimated time of paying Upfront Costs and expected time of issuing surety bond are based on our Directors' experience and taking into account our fitting-out projects of customers other than NW Group as property developer and SHK Group with an original contract sum of HK\$50.0 million or above undertaken during the Track Record Period. The exact time when we would be required to bear the Upfront Costs or obtain surety bond for our projects awarded is largely determined by the customer in practice.

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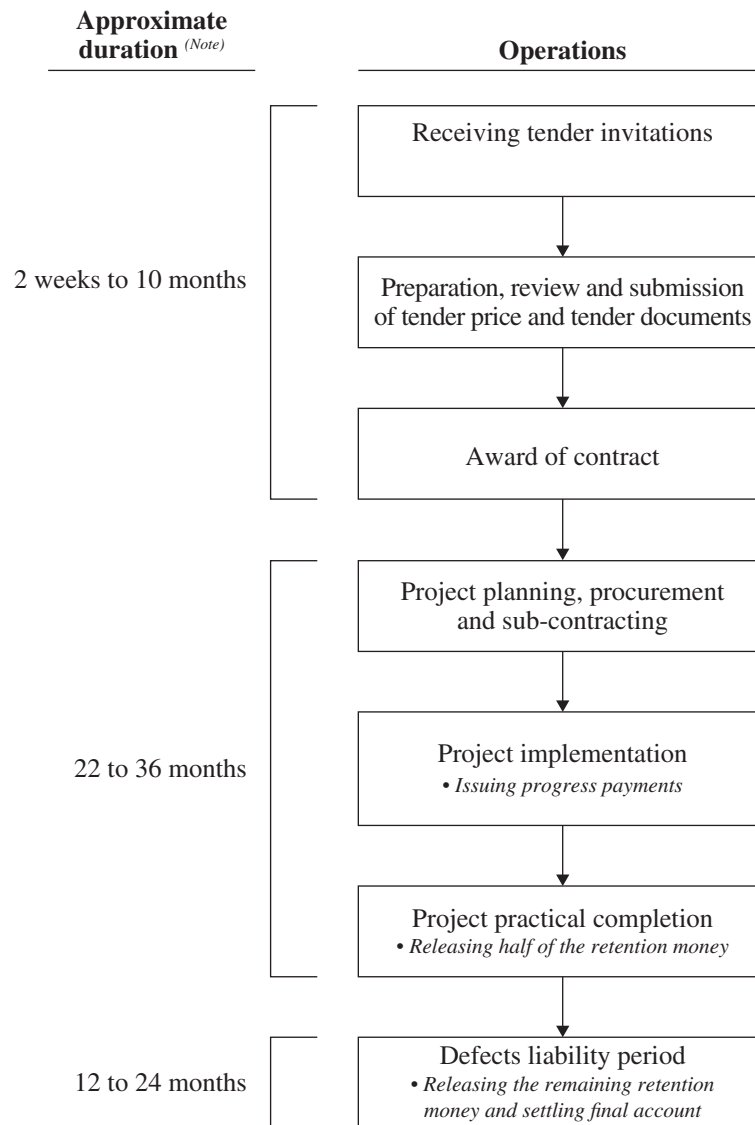
Repair and maintenance works

For the years ended 31 December 2017, 2018 and 2019, our revenue attributable to the repair and maintenance works provided on an ad-hoc basis amounted to approximately HK\$6.4 million, HK\$8.6 million and HK\$4.9 million, respectively.

OPERATION PROCEDURES

Fitting-out services

The following chart illustrates the major processes of our operations for typical fitting-out projects of total contract sum of HK\$10.0 million or above:



Note: The actual time taken may vary from project to project depending on the complexity of the project, the requirements of individual customers, and/or our agreement with individual customers on the relevant timeframe for the relevant stages. In general, it takes shorter time in operation for smaller-scale fitting-out projects with total contract sum below HK\$10.0 million.

Receiving tender invitations

With our expertise and experience in the industry, we generally secure new contracts through tender invitations from our customers, usually by fax or emails. Generally, we are also provided with preliminary information on the specifications, scope of work, material requirements and schedule of rates, site conditions and relevant drawings. Upon receiving a tender invitation, our contract manager and quantity surveyors will evaluate whether we have sufficient resources to undertake the project. Our quantity surveyors will check our previous business dealings with the existing customer or the industry reputation of the new customer and ascertain the potential customer's credibility. Our chief executive officer will determine whether to accept such tender invitation. A case number is assigned for each tender invitation with customer details, location and status being recorded systemically for us to follow up.

Preparation, review and submission of tender price and tender documents

If we accept the tender invitation, our quantity surveyors will prepare a cost plan by estimating materials, manpower and other resources needed and seek preliminary quotations from suppliers and sub-contractors. Such cost plan will be reviewed by our contract manager and chief executive officer who will decide the profit margin. Our contract department will then prepare the tender price in accordance with our pricing strategy. For more details of our pricing strategy, please refer to the paragraph headed "Sales and marketing — Pricing strategy" in this section. Tender price set higher than HK\$10.0 million will generally need to be approved by our chief executive officer while the rest will be approved by our contract manager. Our contract department will then submit the tender document.

Awards of contract

After our tender submission, we may be invited to attend interviews or answer queries on the work scope and specifications as well as negotiating and finalising the contract terms and contract sum with our customers. If our customer accepts our tender proposal, we may receive a letter of acceptance or a letter of nomination (in the case we act as nominated sub-contractor) specifying certain terms and conditions such as, the specifications of the project and the contract sum. For our tender success rate analysis, please refer to the paragraph headed "Sales and marketing — Tender success rate" in this section.

Project planning, procurement and sub-contracting

Upon securing a contract from our customer, we will form a specific project team generally comprising project managers, assistant project managers, site supervisors, direct labour, technical designers, safety supervisors and quantity surveyors depending on the project size and complexity.

As part of our fitting-out services, we are responsible for coordinating and liaising with suppliers and sub-contractors. The contracts generally specify the parties' responsibility of procurement. We may be responsible for purchasing the materials and/or sourcing and installation of doors, furniture and accessories tailor-made according to the specifications of our customers as part of our fitting-out services. For further details on our procurement arrangement, please refer to the paragraph headed "Procurement" in this section. We may also sub-contract the installation or other technical works to our sub-contractors. For further details of our sub-contracting arrangement, please refer the paragraph headed "Sub-contracting" in this section.

Project implementation

Our project team is responsible for the implementation of the fitting-out services including planning and overseeing the project execution, identifying on-site issues, taking possible remedial actions and reporting working progress. Our project managers, who are assisted by our assistant project managers, are responsible to supervise all aspects of the project, monitor the site progress and ensure that works are delivered in a timely manner. Our site supervisors are responsible to supervise the work quality and communicate with customers' representatives. Our direct labour carry out part of the works to demonstrate the standard of work required for our sub-contractors to adopt for the remaining works and to devise solutions to technical problems, where necessary. Our technical designers prepare technical drawings. Our safety supervisors ensure that all on-site workers follow our occupational health and safety policy. Our quantity surveyors regularly check and inspect work progress on site to submit monthly payment applications to our customers. Our project team would conduct on-site inspection and measurement in order to acquire a more accurate picture and measurements for the project. With the measurement obtained, we often provide insights and refinements on customer's proposals for our customers' consideration and will communicate closely with our customers for project requirements and resolve any problems encountered during project implementation. Please refer to the paragraph headed "Quality control" in this section for further details of our quality control measures.

Variation orders

Our customer may, in the course of project execution, place orders concerning variations to part of the fitting-out works that are necessary for the completion of the project. Such orders are commonly referred as variation orders, which may include additional works, omission or changes requested by the customer as variations or supplements to the specifications in the original contract. Our customers usually indicate to us the scope of variation orders to be performed without determining the value of the variation orders before we commence work on such variations. Where the works under the variation orders are the same or similar to the works prescribed in the contract, the value of the variation orders usually accord with the schedule of rates in the original contract. If there were no equivalent or similar items under the original contract for reference, we will estimate the value of the variation orders on a cost plus pricing model based on our experience on similar works and quotation from our suppliers and sub-contractors with a mark-up with reference to our previous projects with such customers, in accordance with our pricing strategy, further details of which are set out in the paragraph headed "Sales and marketing — Pricing strategy" in this section, and we will further agree on the value of the variation orders with our customers when we negotiate with our customers to conclude the final account. The final contract sum may be adjusted in accordance with the scope of such variation order based on the agreed rate subsequently agreed between us and the customer. For the years ended 31 December 2017, 2018 and 2019, our revenue from the fitting-out service contracts amounted to approximately HK\$546.3 million, HK\$759.6 million and HK\$874.5 million, of which our revenue recognised for variation orders amounted to approximately HK\$62.6 million, HK\$51.1 million and HK\$110.3 million, respectively.

Issuing progress payments

In general, our quantity surveyors submit monthly payment applications to our customers based on the work progress after contract manager's approval. In some cases, upon receiving our payment application and after examination, our customers will liaise with the consultants appointed by the relevant property developers and such consultants will generally issue a payment certificate certifying the percentage of work completed in the preceding month and the corresponding amount payable by our customers. If the work certified in the payment certificate is largely different from the work progress on the payment application, our quantity surveyors will take the initiative to explain to such consultants and reach consensus on the certified amount. Our customer will then make payment based on the certified amount. We generally receive payment from these customers around 90 days after we make payment application. For some customers who do not issue payment certificates due to their internal policy, after we make payment application, the internal quantity surveyors of such customers will confirm the

BUSINESS

percentage of work completed and we generally receive payment around 30 days after we make payment application. Please refer to the paragraph headed “Customers — Payment terms and collection of our trade receivables and retention receivables” in this section for further details of our payment terms with our customers.

Our sub-contractors generally submit periodic payment requests to us based on percentage of work completed under the sub-contracted works. Taking into account the size and complexity of the works, our quantity surveyors will assess and verify the percentage of work completed before settlement and our chief executive officer will approve payment. Please refer to the paragraph headed “Sub-contracting” in this section for further details of our arrangement with our sub-contractors.

Project practical completion

Before practical completion of a project, we will generally conduct relevant quality tests before completion and handover to our customers to make sure the specifications in contract are met. In the event that the test results do not meet the requirements specified in the contract, rectification works and/or re-commissioning works will be carried out to ensure that the requirements are met. In general, handover of work will be arranged with the property developers and/or our customers’ representatives. In some cases, a certificate of practical completion of the project will be issued by the architects of the property developer where the issue date of such certificate marks the date of practical completion of the project. Some customers do not issue certificate of practical completion due to their internal policy. The date of practical completion is generally agreed between us and such customers. Practical completion indicates that the works to be completed under the contract have been substantially completed, and there is no major outstanding works.

Surety bonds

We may be required to provide surety bonds in the amount of certain percentage, usually equivalent to 10% of the original contract sum, in favour of our customers to ensure our due performance. During the Track Record Period, the surety bonds were generally issued by insurance companies and secured by guarantees of directors of Success Base Engineering and deposits pledged with the insurance companies, and the deposits pledged with the insurance companies in general amounted to approximately 20% to 30% of the value of the surety bonds. The surety bonds may be released after the issue of certificate of practical completion or the certificate of making good defects, subject to contractual terms. As at the Latest Practicable Date, we have been notified by major insurance companies in Hong Kong that we will have to pledge deposits representing full amount of the value of the surety bonds for any surety bonds to be issued for newly-awarded fitting-out projects (those usually include newly-awarded fitting-out projects of customers other than NW Group as property developer and SHK Group) until the surety bonds for our current fitting-out projects are released.

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The following table sets out the movement in the amount of surety bonds we were required to provide in favour of our customers to ensure our due performance during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			From 1 January 2020 to the Latest Practicable Date
	2017	2018	2019	Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening amount of surety bonds at the beginning of the year/period	24,377	41,427	36,549	66,915
Amount of surety bonds provided for new projects	17,050	9,251	64,525	—
Amount of surety bonds released	—	(14,129)	(34,159)	—
Outstanding amount of surety bonds at the year/period end date	41,427	36,549	66,915	66,915

During the Track Record Period, our surety bonds were generally issued by insurance companies and secured by guarantees of directors of Success Base Engineering including Mr. Ng and/or his associates, further details of such guarantees are set out in the paragraph headed “Relationship with our Controlling Shareholders — Financial independence” in this prospectus, and deposits pledged with the insurance companies (which may amount to a fraction of the equivalent value of the surety bond). The following table sets out the movement in the amount of the deposits pledged with the insurance companies for surety bonds during the Track Record Period and up to the Latest Practicable Date:

	For the year ended 31 December			From 1 January 2020 to the Latest Practicable Date
	2017	2018	2019	Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening amount of deposits pledged at the beginning of the year/period	7,313	10,723	8,334	17,141
Deposits pledged for new projects	3,410	1,850	16,663	—
Amount of deposits pledged released	—	(4,239)	(7,856)	—
Outstanding amount of deposits pledged at the year/period end date	10,723	8,334	17,141	17,141

During the Track Record Period and up to the Latest Practicable Date, there was no material claim by customers against our surety bonds.

Retention money

Some of our fitting-out contracts provide that our customers shall be entitled to retain, in general, up to 10% of the sum of each of our progress payment and subject to a maximum of 5% of the original contract sum as retention money. Where there is retention money, half of the retention money will be released upon practical completion, and the remaining retention money will usually be released upon expiry of the relevant defects liability period or issuance of the certificate of making good defects.

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Defects liability period

In general, we provide defects liability period of 12 to 24 months to our customers where such period begins when our project is practically completed. When defects have been identified during the defects liability period, we will rectify the defects at our cost. At the end of the defects liability period, our rectifications obligations will be completed. In some cases, architects of the property developer will issue a certificate of making good defects while some customers do not issue certificate of making good defects due to their internal policy. The remaining retention money will generally be released to us after the expiry of the relevant defects liability period or issuance of the certificate of making good defects. After the defects liability period, we will follow up with our customers and reach agreement on the final account. During the Track Record Period, cost incurred by us to rectify defective works was immaterial and we did not receive any material complaints from our customers regarding our obligation to make good defects during the defects liability period.

Repair and maintenance services

Our repair and maintenance services are generally initiated by quotation enquiries from new or existing customers. The quotation process for these projects is similar to that of our fitting-out projects. When our quotation is accepted and we are awarded a repair and maintenance contract, our contract manager and quantity surveyors will evaluate the nature of works required and assign staff to execute the project based on the availability of our staff and the nature of works required. We will generally issue bill to our customers for payment upon completion of each repair and maintenance work. Generally, no retention money nor defects liability period is required.

SALES AND MARKETING

As at the Latest Practicable Date, we have a business development team consisting of five employees who are responsible for planning and developing our overall marketing strategies to promote our Group's services in order to enhance our market reputation and attract new customers. For the years ended 31 December 2017, 2018 and 2019, we engaged five, seven and seven business development consultants, respectively. Such consultants are Independent Third Parties. One of the business development consultants is currently a shareholder and director of a company engaging in public relations and event management where Ms. Zhao is also a shareholder and director.

During the Track Record Period, our business development consultants provided referrals of potential customers for business opportunities with both local and PRC prominent property developers in the local market from time to time, and advised on market conditions, tendering and marketing approach and provided referrals of potential suppliers, internal fitting-out/design/construction related trainings to improve our market competitiveness. Some business development consultants organised corporate social responsibility or operation related trainings and activities, and public relations events to promote our corporate image and industry reputation.

Members of our business development consultants (including ultimate shareholder(s) of such consultants) have served a number of institutional roles and advisory positions in real estate, building and construction-related disciplines with professional qualifications, are experienced in client relationship management, maintain extensive business network and/or possess fitting-out/design/construction-related industry expertise and technique.

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For the years ended 31 December 2017, 2018 and 2019, we incurred business development consultancy fee of approximately HK\$1.8 million, HK\$2.2 million and HK\$2.9 million, respectively. According to the Frost & Sullivan Report, some contractors may engage business development consultants for similar scope of services as that of our Group, and the consultancy fees paid by our Group to the consultants are within the market range based on the consultants' work experience/work portfolio, qualifications as well as the scope of work performed.

To the best knowledge of our Directors, during the Track Record Period and as at the Latest Practicable Date, save as disclosed in this paragraph headed "Sales and marketing" and apart from the consultancy agreements, there have been no other past or present relationships (shareholding, family, business or otherwise), agreements or arrangements between the business development consultants (including the ultimate shareholders and directors of the corporate consultants) and our Group, our Shareholders, Directors and senior management, or any of their respective associates.

Tender success rate

During the Track Record Period, we secured new businesses mainly through tenders. The following table sets forth our overall tender success rate during the Track Record Period:

	For the year ended 31 December		
	2017	2018	2019
Number of invitation received during the year	165	220	210
Number of tenders submitted during the year	118	146	138 ^(Note 1)
• NW Group as property developer and SHK Group	78	81	77
• Other customers	40	65	61
Number of successful tenders confirmed in current year or subsequently	11	26	12
• NW Group as property developer and SHK Group	8	16	10
• Other customers	3	10	2
Success rate (%) ^(Notes 1&2)	9.3	17.8	8.7
• NW Group as property developer and SHK Group	10.3	19.8	13.0
• Other customers	7.5	15.4	3.3

Note:

1. As at the Latest Practicable Date, 50 out of 138 tenders submitted during the year ended 31 December 2019 had not expired and the results were pending.
2. In the above table, success rate for a financial year is calculated based on the number of contracts awarded (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tenders submitted during that financial year or period.

We are an active player in the fitting-out industry. During the Track Record Period, we experienced a strong demand for our services from our customers, as evidenced by the number of invitations for tenders that we received. During the Track Record Period, we received 165, 220 and 210 invitations for tenders and we submitted tenders for approximately 71.5%, 66.4% and 65.7% of these invitations. It is our strategy to be responsive to our customers' tender invitations, as our Directors believe that this can enable us to (i) maintain our relationships with customers; (ii) keep our presence in

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the market; and (iii) keep ourselves abreast of the latest market requirements and pricing trends which are useful for obtaining projects in the future. Our Directors consider that our limited capital and financial resource may have made it difficult for us to stand out from our industry peers who possess more capital and financial resources despite our consistent quality of work and other competitive edges, and we may tend to submit tender using price of higher margin when we have only limited remaining operational or financial resources due to other projects which we are undertaking simultaneously at that time, and that may have affected our tenders success rate during the Track Record Period. However, taking into consideration the contracts awarded in terms of contract sum and the revenue recognised during the Track Record Period, our Directors consider that our overall tender approach and success rate during the Track Record Period was satisfactory in general. For further details of our on-going projects, please refer to the paragraphs headed “Projects — Fitting-out projects — Movement in the number of fitting-out projects” and “Projects — Fitting-out projects — Movement in the outstanding contract value of fitting-out projects” in this section.

Pricing strategy

Our tenders or quotations are based on our estimates and available information, taking into consideration various factors, including, among other things, (i) the size, specification and complexity of the project; (ii) previous tender or quotation records; (iii) awarded price of similar projects; (iv) our operational and financial capacities; (v) the estimated project cost; (vi) the relationships with our customer; and (vii) the prevailing market conditions. Generally, we price a project based on a cost-plus pricing model with a mark-up so we can deliver quality work and at the same time achieve a reasonable profit margin. We adopt a similar pricing strategy of cost-plus model to determine the fee chargeable to our customers for additional work required in a variation order.

We maintain an information database which stores statistics and data we collected from our previous projects for our staff to make reference to from time to time. Our Directors are of the view that such database enables us to implement our pricing strategy in an effective manner. We were able to maintain a relatively stable gross profit margin of approximately 14.8%, 14.0% and 13.6% for the years ended 31 December 2017, 2018 and 2019, respectively. During the Track Record Period, our Group did not experience any unusually high or low profit margins in any of our fitting-out projects and the outcome gross profit margins were within the expectation of the management. During the Track Record Period, we were able to recover our costs incurred due to variation orders, except that one completed project recorded a loss of approximately HK\$9.0 million. The total contract sum of such project amounted to approximately HK\$25.0 million. We received requests directly from the relevant property developer at a later stage of the project and performed value-added works that incurred extra costs to ensure the expectation of such property developer was met in anticipation of maintaining long-term working relationship with the relevant property developer, a prominent local property developer. During the final account negotiation, we were not able to provide certain documents due to deficiency in management of the relevant records, as a result, we were not able to claim for some of the works performed when the final account was concluded, and the fees and charges paid to us were not sufficient to recover our costs incurred throughout the said project. The project was completed in September 2019. As such the loss was deemed to be incurred in the year ended 31 December 2019. To prevent similar occurrences in the future, we have strengthened communication (both externally and internally), and required any relevant design drafts and correspondence to be properly documented as supporting documents for variation orders.

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In addition, we have engaged an internal control consultant to review the internal control system of our Group which covers the procedures, systems and controls established by our Group in regard to the operating procedures of our Group to strengthen our pricing strategy and cost control. Upon recommendations from our internal control consultant, we have strengthened our pricing strategy and cost control by requiring our quantity surveyors to prepare cost plans and tender price set higher than HK\$10.0 million will generally need to be approved by our chief executive officer. Furthermore, our contract manager prepares payment summary to monitor the costs incurred for our projects and reports to our chief executive officer during the weekly meeting. If there is material difference between the expected costs and the actual costs, the contract manager will be required to explain to our chief executive officer. Once the final account is concluded, contract manager needs to prepare project profit and loss report by analysing the difference between expected margin and actual margin, if any, and making suggestions for improvement, and submit the relevant documents to our financial controller and chief executive officer for review. It is the view of our Directors that by applying more stringent pricing strategy and cost control measures, we may be able to reduce the chance of experiencing losses in our projects. For further details of our internal control and operation procedures, please refer to the paragraphs “Business — Risk management and internal control system” and “Business — Operation procedures — Fitting-out services — Preparation, review and submission of tender price and tender documents” in this prospectus. Based on the available information as at the Latest Practicable Date, our Directors are of the view that none of our fitting-out projects on hand are expected to be loss-making.

SEASONALITY

During the Track Record Period, we recorded relatively higher revenue in the months preceding the Chinese New Year and relatively lower revenue during the month of the Chinese New Year, which was due to our arrangement with our customers, suppliers and sub-contractors to finish more works before the Chinese New Year as there may be labour shortage during or shortly after the Chinese New Year.

CUSTOMERS

During the Track Record Period, our customers were from the private sector and mainly included property developers and contractors. When we were selected by property developers as their fitting-out contractor, we often entered into contract with them or their subsidiaries. We might also be nominated by property developers as the designated fitting-out contractor for their property projects and enter into sub-contract with the contractors of such projects. Sometimes, we were directly engaged by contractors.

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The following table sets forth the breakdown of our revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Property developers ^(Note 1)	353,380	63.9	508,921	66.3	543,925	61.9
Contractors ^(Note 2)	193,821	35.1	252,099	32.8	320,006	36.4
Others ^(Note3)	<u>5,451</u>	<u>1.0</u>	<u>7,125</u>	<u>0.9</u>	<u>15,470</u>	<u>1.7</u>
Total	<u><u>552,652</u></u>	<u><u>100.0</u></u>	<u><u>768,145</u></u>	<u><u>100.0</u></u>	<u><u>879,401</u></u>	<u><u>100.0</u></u>

Notes:

1. The category “property developers” includes both property developers and their subsidiaries.
2. The category “contractors” includes contractors who directly engaged us and those contractors we entered into contract with when we were nominated by property developers as the designated fitting-out contractor.
3. The category “others” includes owners and tenants of properties.

We generally provide our services on a project-by-project basis without entering into long-term contracts with our customers. Such arrangement is in line with the industry norm as fitting-out projects are usually one-off in nature. During the Track Record Period, our projects were generally obtained through tender. Our Directors believe that we have established stable business relationships with our major customers with our proven track record of delivering quality work in a timely manner to the satisfaction of our customers. We have maintained business relationships with our five largest customers from one to 15 years. In particular, we have been serving SHK Group since 2004, and have been an approved contractor of SHK Group since 2009. We have also been serving NW Group since 2012. We are often invited to submit tenders for fitting-out projects, and we have from time to time been selected or nominated by property developers to provide fitting-out works for their property projects. We had 19, 10 and 11 recurring customers (excluding those relating to maintenance and aftersales services) in each year of the Track Record Period, who together contributed approximately 95.7%, 98.0% and 93.8% of our Group’s revenue for the years ended 31 December 2017, 2018 and 2019 respectively. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our customers.

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Salient terms of our fitting-out contracts

The terms of our contracts vary across customers and projects. The major terms of our contracts for fitting-out services are set out as below:

Scope of work:	We are responsible for the provision of fitting-out works based on specification, drawings and tentative schedule set out in the contract.
Contract sum:	The agreed estimated original contract sum varies each project with regard to the scale and complexity of the works.
Payment terms:	For details regarding our payment terms, please refer to the paragraph headed “Customers — Payment terms and collection of our trade receivables and retention receivables” in this section.
Retention money:	For details regarding our retention money (if necessary), please refer to the paragraph headed “Operation procedures — Fitting-out services — Project practical completion — Retention money” in this section.
Defects liability period:	We generally offer a defects liability period of 12 to 24 months during which we are responsible for rectifying defects in our fitting-out works.
Variation orders:	For details regarding our variation orders (if necessary), please refer to the paragraph headed “Operation procedures — Fitting-out services — Project implementation — Variation orders” in this section.
Liquidated damages:	We are liable to compensate our customers an amount of liquidated damages if we fail to complete the fitting-out works on schedule as stipulated in contract.
Extension of time:	In the event of delay in completion of fitting-out works caused by our customers or uncontrollable events, we may obtain an extension of time for a fair and reasonable period granted by our customers.
Surety bonds:	For details regarding our surety bonds (if necessary), please refer to the paragraph headed “Operation procedures — Fitting-out services — Project practical completion — Surety bonds” in this section.
Insurance:	For further details on the insurance policies, please refer to the paragraph headed “Insurance” in this section.
Termination:	Our customers may terminate our contracts if, among other things, we fail to execute the works in accordance with our customers’ requirements by giving advance notice of intention of doing so.

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

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Payment terms and collection of our trade receivables and retention receivables

Our customers generally pay us around 30 days (for NW Group as property developer and SHK Group only) to around 90 days (for the other customers) after we make payment application. Our customers generally settle our payments by bank transfer or cheque in Hong Kong dollars.

As at 31 December 2017, 2018 and 2019, we recorded trade receivables of approximately HK\$39.3 million, HK\$33.2 million and HK\$131.1 million, respectively. As at the Latest Practicable Date, approximately 99.8% of our trade receivables as at 31 December 2019 had been settled. For the years ended 31 December 2017, 2018 and 2019, our trade receivables turnover days were approximately 43.7 days, 17.2 days and 34.1 days, respectively.

In order to mitigate our risks in relation to the collectability of our trade receivables and retention receivables, we have implemented the following measures:

- upon receiving a tender or quotation invitation, we will (i) perform due diligence on the customers such as checking our previous business dealings with the existing customer or the industry reputation of the new customer; (ii) evaluate the commercial viability of the project and (iii) ascertain the potential customer's credibility.
- closely monitor the payments from our customers pursuant to the terms of the respective project. Our administrative and accounting department records the amount of our trade receivables and retention receivables and prepares aging report every month. Our quantity surveyors will contact our customers directly to follow up the payment status. Our financial controller regularly reviews the aging status of our trade receivables and retention receivables.
- make provision when there is objective evidence that our Group will not be able to collect part or all of the outstanding debts and/or trade receivables. Save as disclosed in the paragraph headed "Financial information — Analysis of various items in the consolidated statements of financial position — Trade receivables", we did not have any material bad debt or provision made for our trade receivables during the Track Record Period.

Five largest customers

For the years ended 31 December 2017, 2018 and 2019, revenue attributable to our largest customer amounted to approximately HK\$159.5 million, HK\$363.6 million and HK\$402.1 million, representing approximately 28.9%, 47.3% and 45.7% of our total revenue, respectively, while revenue attributable to our five largest customers in aggregate amounted to approximately HK\$487.9 million, HK\$732.5 million and HK\$852.7 million, representing approximately 88.3%, 95.4% and 97.0% of our total revenue, respectively. To the best of our Directors' knowledge, none of our Directors or their respective close associates or our Shareholders who own more than 5% of the issued share capital of our Company had any interest in our five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period are Independent Third Parties and none of them during the Track Record Period was also a supplier of our Group.

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The following tables set forth the details of our five largest customers for the Track Record Period:

For the year ended 31 December 2017

Rank	Customer	Customer type	Services provided by our Group	Year of commencement of business relationship	Typical payment terms and payment method	Revenue recognised <i>HK\$'000</i>	% of total revenue %
1	NW Group ^(Note 1)	Property developer and contractor	Fitting-out services	2012	Around 30 days (as property developer) after we make payment application; and around 90 days (as contractor) after we make payment application; bank transfer	159,480	28.9
2	SHK Group ^(Note 2)	Property developer	Fitting-out services and repair and maintenance services	2004	Around 30 days after we make payment application; cheque	140,337	25.4
3	Customer C ^(Note 3)	Contractor	Fitting-out services	2016	Around 90 days after we make payment application; bank transfer	82,317	14.9
4	Customer D ^(Note 4)	Property developer	Fitting-out services	2016	Around 90 days after we make payment application; bank transfer	57,784	10.5
5	Chevalier (Construction) Company Limited ^(Note 5)	Contractor	Fitting-out services	2016	Around 90 days after we make payment application; cheque	47,933	8.6
Total:						487,851	88.3

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For the year ended 31 December 2018

<u>Rank</u>	<u>Customer</u>	<u>Customer type</u>	<u>Services provided by our Group</u>	<u>Year of commencement of business relationship</u>	<u>Typical payment terms and payment method</u>	<u>Revenue recognised</u> <i>HK\$'000</i>	<u>% of total revenue</u> <i>%</i>
1	NW Group ^(Note 1)	Property developer and contractor	Fitting-out services	2012	Around 30 days (as property developer) after we make payment application; and around 90 days (as contractor) after we make payment application; bank transfer	363,621	47.3
2	SHK Group ^(Note 2)	Property developer	Fitting-out services and repair and maintenance services	2004	Around 30 days after we make payment application; cheque	225,872	29.4
3	Customer C ^(Note 3)	Contractor	Fitting-out services	2016	Around 90 days after we make payment application; bank transfer	90,941	11.8
4	Customer D ^(Note 4)	Property developer	Fitting-out services	2016	Around 90 days after we make payment application; bank transfer	36,805	4.8
5	Customer F ^(Note 6)	Contractor	Fitting-out services	2015	Around 90 days after we make payment application; cheque	15,224	2.1
Total:						<u>732,463</u>	<u>95.4</u>

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For the year ended 31 December 2019

Rank	Customer	Customer type	Services provided by our Group	Year of commencement of business relationship	Typical payment terms and payment method	Revenue recognised	% of total revenue
						<i>HK\$'000</i>	
1	SHK Group <i>(Note 2)</i>	Property developer	Fitting-out services and repair and maintenance services	2004	Around 30 days after we make payment application; cheque	402,087	45.7
2	NW Group <i>(Note 1)</i>	Property developer and contractor	Fitting-out services	2012	Around 30 days (as property developer); and around 90 days (as contractor) after we make payment application; bank transfer	245,146	27.9
3	Customer C <i>(Note 3)</i>	Contractor	Fitting-out services	2016	Around 90 days after we make payment application; bank transfer	91,090	10.4
4	Customer F <i>(Note 6)</i>	Contractor	Fitting-out services	2015	Around 90 days after we make payment application; cheque	78,131	8.9
5	Customer G <i>(Note 7)</i>	Others	Fitting-out services	2019	Around 90 days after we make payment application; bank transfer	36,279	4.1
Total:						852,733	97.0

Notes:

- NW Group includes New World Construction Company Limited, Hip Hing Construction Company Limited, Hip Hing Engineering Company Limited and two related companies. New World Construction Company Limited, Hip Hing Construction Company Limited and Hip Hing Engineering Company Limited and one of such related companies are subsidiaries of a company listed on the Stock Exchange. The principal activities of such listed company include property development and investment. According to information publicly available, the holding company of such listed company recorded revenue and profit attributable to its shareholders of over HK\$70.0 billion and over HK\$20.0 billion for the year ended 30 June 2019, respectively.
- SHK Group includes Sanfield (Management) Limited, Sun Hung Kai Properties Limited, Sun Hung Kai Real Estate Agency Limited and a related company. Sanfield (Management) Limited, and Sun Hung Kai Real Estate Agency Limited and the said related company are subsidiaries of Sun Hung Kai Properties Limited, a company listed on the Stock Exchange. The principal activities of such listed company include property development and investment. According to information publicly available, the holding company of such listed company recorded revenue and profit attributable to its shareholders of over HK\$80.0 billion and over HK\$40.0 billion for the year ended 30 June 2019, respectively.

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3. Customer C is a subsidiary of a company listed on the London Stock Exchange with secondary listings in Bermuda and Singapore, the principal activities of which include, among other things, property development and investment. According to information publicly available, the holding company of Customer C recorded revenue and profit attributable to shareholders of over US\$40.0 billion and over US\$1.0 billion for the year ended 31 December 2018, respectively.
4. Customer D is a private company in Hong Kong which principally engages in construction and investment. According to information publicly available, Customer D has a total paid up capital of HK\$226,700,000 as at 11 December 2018.
5. Chevalier (Construction) Company Limited is a subsidiary of a company listed on the Stock Exchange. The principal activities of such listed company include, among other things, property development and investment. According to information publicly available, the recorded revenue and profit of such listed company was over HK\$6.0 billion and over HK\$600.0 million for the year ended 31 March 2019, respectively.
6. Customer F is a subsidiary of a company listed on the Stock Exchange. The principal activities of such listed company include, among other things, construction, property development and property management. According to information publicly available, the recorded revenue and profit of such listed company was over HK\$60.0 billion and over HK\$5.0 billion for the year ended 31 December 2019, respectively.
7. Customer G is a private company in Hong Kong which principally engages in construction. According to information publicly available, Customer G has a total paid up capital of HK\$6,000,000 as at 11 September 2019.

Customer concentration

During the Track Record Period, we derived a majority of our revenue from our five largest customers. According to the Frost & Sullivan Report, customer concentration within the fitting-out industry is not uncommon. Our Directors believe that we have established stable business relationships with our existing customers given our proven track record of delivering quality work in a timely manner to the satisfaction of our customers. In particular, for the years ended 31 December 2017, 2018 and 2019, the total revenue derived from NW Group and SHK Group amounted to approximately HK\$159.5 million, HK\$363.6 million and HK\$245.1 million, representing approximately 28.9%, 47.3% and 27.9% of our revenue, and approximately HK\$140.3 million, HK\$225.9 million and HK\$402.1 million, representing approximately 25.4%, 29.4% and 45.7% of our revenue, respectively.

We were inclined to undertake more fitting-out projects with NW Group as property developer and SHK Group during the Track Record Period as we consider their payment arrangements are expedited and the project requirements of their fitting-out projects are less capital demanding. For fitting-out projects with NW Group as property developer or SHK Group during the Track Record Period, we generally received payment around 30 days after we made payment application while it may take a much longer period of time of around 90 days after we made payment application to receive payment when we worked on fitting-out projects of other customers. From our experience during the Track Record Period and based on the best knowledge of our Directors, NW Group as property developer and SHK Group did not generally require contractors to purchase surety bond. Also, SHK Group did not require retention money from us in general. The relatively large number of fitting-out projects of substantial size with NW Group as property developer or SHK Group during the years ended 31 December 2017 and 2018, together with some other fitting-out projects with NW Group acting as contractor, contributed to significant amount of revenue, making NW Group and SHK Group as our largest customers in terms of revenue contribution to our Group during the Track Record Period.

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We secured all the fitting-out contracts from NW Group and SHK Group through tender during the Track Record Period and our Directors believe those contracts were awarded to us as a result of our ability to satisfy the assessment criteria and our proven track record of delivering quality work. In addition, we have been serving SHK Group since 2004 and NW Group since 2012. Our Directors believe that such long established business relationships do not only foster mutual trust and facilitate continuous cooperation, but are also evidence that such business dealings have been commercially beneficial to both our Company, NW Group and SHK Group.

Our plan to reduce customer concentration

We plan to diversify our customer base going forward while maintaining solid business relationships with our largest customers. During the Track Record Period, we provided fitting-out services of similar scope and complexity to our largest customers and other customers. Please refer to the tables disclosed in the paragraphs headed “Projects — Fitting-out projects — Completed projects” and “Projects — Fitting-out projects — Projects on hand” in this section which set out the details of completed or ongoing fitting out projects performed by us for different customers with total contract sum exceeding HK\$50.0 million during the Track Record Period and up to the Latest Practicable Date. To the best knowledge of our Directors, in general, most of the fitting-out projects we undertook for NW Group as property developer and SHK Group during the Track Record Period were of relatively smaller scale in terms of contract sum. However, during the Track Record Period, we also completed several large-scale projects for NW Group as property developer and SHK Group, like Project P6, P2, P37 and P39 (Project reference number corresponds with the tables disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Completed projects”), which, in the opinion of our Directors, was objective evidence that we were also capable to undertake fitting-out projects of larger scale. Our Directors also believe that our techniques and experience in serving NW Group as property developer and SHK Group in these large-scale fitting-out projects are transferable and can be applied to serving other customers.

With the net proceeds from the Share Offer, we believe we can reserve capital to better satisfy the Upfront Costs and surety bonds requirements to undertake more large-scale fitting-out projects of different customers, so as to diversify our customer base and expand our market share. We have devoted resources to business development during the Track Record Period, where we have undertaken relatively more fitting-out projects of customers other than NW Group as property developer and SHK Group than the previous years for the year ended 31 December 2019, and have been successful in identifying new customers. For instance, we were able to secure a contract with contract sum over HK\$300.0 million in 2019 from a leading PRC property developer based in the Guangdong Province, for that property developer’s residential project in Tuen Mun which is project P13 in the table disclosed in the paragraph headed “Projects — Fitting-out projects — Projects on hand” in this section. We will continue to capture emerging business opportunities on a selective and prudent basis to maximise benefits to our Group as a whole. Please refer to the paragraph headed “Business strategies — Expand our market share through undertaking more large-scale fitting-out projects for different customers to diversify our customer base” in this section, and the section headed “Future plans and use of proceeds” in this prospectus for more details.

PROCUREMENT

We mainly source raw materials such as wood, stone, metal, tiles, plastic laminates and acoustic materials from suppliers. We also source doors, furniture and accessories tailor-made according to the specifications of our customers. To the best knowledge of our Directors, NW Group as property

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developer and SHK Group tend to perform plastering works and sourcing of materials like marble and tiles (volume needed may be substantial, contributing to substantial costs) by themselves, while other customers often require us to supply substantial amounts of materials for their fitting-out projects. Except Chong Sun, our suppliers do not provide any installation or technical services and only supply materials to us based on our customers' specifications. During the Track Record Period, the aggregate amount of purchases and sub-contracting fees attributable to Chong Sun amounted to approximately HK\$68.5 million, HK\$93.6 million and HK\$91.5 million, representing approximately 14.5%, 14.2% and 12.0% of our total cost of services, respectively. Mr. Kwok, as the owner of Chong Sun, worked as a daywork labour to provide ad hoc wood works to Success Base Engineering from December 2006 to April 2012 where he received wages on a daily basis for his services without entering into any employment contracts with Success Base Engineering, and did not engage other workers to perform work for him ("**Prior Working Relationship**"). Chong Sun has provided quotation to Success Base Engineering upon request and engaged other workers to provide wood and metal works to Success Base Engineering since November 2010, and has supplied wood, metal, and doors, furniture and accessories to Success Base Engineering since January 2017 ("**Current Business Relationship**"). Chong Sun has around 30 employees and derived around 70% of its revenue from our Group during the Track Record Period. To the best knowledge of our Directors, during the Track Record Period and as at the Latest Practicable Date, apart from the Prior Working Relationship and Current Business Relationship, there have been no other past or present relationships (shareholding, business or otherwise), agreements or arrangements between Chong Sun and/or Mr. Kwok and our Group, our Shareholders, Directors and senior management, or any of their respective associates.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our suppliers.

Five largest suppliers

For the years ended 31 December 2017, 2018 and 2019, purchases attributable to our largest supplier amounted to approximately HK\$60.9 million, HK\$95.7 million and HK\$79.6 million, representing approximately 17.4%, 19.0% and 11.5% of our total purchases, respectively, while purchases attributable to our five largest suppliers in aggregate amounted to approximately HK\$133.4 million, HK\$191.4 million and HK\$171.6 million, representing approximately 38.0%, 37.9% and 24.9% of our total purchases, respectively. To the best of our Directors' knowledge, none of our Directors or their respective close associates or our Shareholders who own more than 5% of the issued share capital of our Company had any interest in our five largest suppliers during the Track Record Period. All of our five largest suppliers during the Track Record Period are Independent Third Parties.

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The following tables set forth the details of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2017

Rank	Supplier	Major types of materials provided to our Group	Year of commencement of business relationship	Typical payment terms and payment method	Purchases <i>(HK\$'000)</i>	% of total purchases
1	On Grace ^(Note 1)	Wood, stone, metal, and doors, furniture and accessories	2016	Around 30 days after the supplier issues its invoice; bank transfer or cheque	60,924	17.4
2	Chong Sun	Wood, metal, and doors, furniture and accessories	2010	Around 30 days after the supplier issues its invoice; bank transfer or cheque	55,955	15.9
3	Supplier C ^(Note 2)	Tiles	2010	Around 30 days after the supplier issues its invoice; bank transfer or cheque	9,164	2.6
4	Supplier D ^(Note 3)	Plastic laminates	2007	Around 30 days after the supplier issues its invoice; bank transfer or cheque	3,987	1.1
5	Supplier E ^(Note 4)	Metal	2011	Around 30 days after the supplier issues its invoice; bank transfer or cheque	3,409	1.0
Total:					133,439	38.0

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For the year ended 31 December 2018

<u>Rank</u>	<u>Supplier</u>	<u>Major types of materials provided to our Group</u>	<u>Year of commencement of business relationship</u>	<u>Typical payment terms and payment method</u>	<u>Purchases</u> <i>(HK\$'000)</i>	<u>% of total purchases</u>
1	On Grace ^(Note 1)	Wood, stone, metal, and doors, furniture and accessories	2016	Around 30 days after the supplier issues its invoice; bank transfer or cheque	95,739	19.0
2	Chong Sun	Wood, metal, and doors, furniture and accessories	2010	Around 30 days after the supplier issues its invoice; bank transfer or cheque	81,159	16.1
3	Supplier C ^(Note 2)	Tiles	2010	Around 30 days after the supplier issues its invoice; bank transfer or cheque	7,974	1.6
4	Supplier D ^(Note 3)	Plastic laminates	2007	Around 30 days after the supplier issues its invoice; bank transfer or cheque	3,436	0.7
5	Supplier F ^(Note 5)	Sanitary wares	2018	Around 30 days after the supplier issues its invoice; bank transfer or cheque	3,091	0.5
Total:					<u>191,399</u>	<u>37.9</u>

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For the year ended 31 December 2019

<u>Rank</u>	<u>Supplier</u>	<u>Major types of materials provided to our Group</u>	<u>Year of commencement of business relationship</u>	<u>Typical payment terms and payment method</u>	<u>Purchases</u> <i>(HK\$'000)</i>	<u>% of total purchases</u>
1	On Grace ^(Note 1)	Wood, stone, metal, and doors, furniture and accessories	2016	Around 30 days after the supplier issues its invoice; bank transfer or cheque	79,574	11.5
2	Chong Sun	Wood, metal, and doors, furniture and accessories	2010	Around 30 days after the supplier issues its invoice; bank transfer or cheque	63,729	9.2
3	Supplier G ^(Note 6)	Tiles and stone	2008	Around 30 days after the supplier issues its invoice; bank transfer or cheque	12,845	1.9
4	Supplier H ^(Note 7)	Acoustic materials	2018	Around 30 days after the supplier issues its invoice; bank transfer or cheque	8,415	1.2
5	Supplier C ^(Note 2)	Tiles	2010	Around 30 days after the supplier issues its invoice; bank transfer or cheque	7,006	1.1
Total:					<u>171,569</u>	<u>24.9</u>

Notes:

1. On Grace is a private company in Hong Kong providing wood, stone, metal, and doors, furniture and accessories.
2. Supplier C is a private company in Hong Kong providing tiles.
3. Supplier D is a private company in Hong Kong providing plastic laminates.

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4. Supplier E is a private company in Hong Kong providing metal.
5. Supplier F is a private company in Hong Kong providing sanitary wares.
6. Supplier G is a private company in Hong Kong providing tiles and stone.
7. Supplier H represents two private companies in Hong Kong providing acoustic materials, which are under a group of common management.

Basis for selection of suppliers

At times, our customers may nominate a particular supplier to be the supplier of certain materials (in such circumstances, we would negotiate the pricing directly with such nominated supplier). The nominated supplier would also need to satisfy our own internal quality control requirements. If our customers do not nominate a particular supplier and tailor-made items are needed, we usually source the tailor-made items together with some other relevant fitting-out raw materials from On Grace, further details of which are set out below. We would obtain quotation from at least three suppliers in our internal list of approved suppliers if customers do not nominate a particular supplier and no tailor-made items are involved. Such internal list is reviewed and updated annually according to the performance of the material suppliers. As at the Latest Practicable Date, we had over 72 suppliers available from our internal list of approved suppliers, and we generally have multiple approved suppliers for the major materials used in our projects. We select suppliers based on various criteria, including, among other things, (i) product quality; (ii) price; (iii) timely delivery; and (iv) service.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials that significantly affected our business.

Salient purchase terms

Our Group generally makes purchase orders on a project-by-project basis instead of entering into long-term agreements with the suppliers. Save for the long-term agreement entered into with On Grace as summarised in the paragraph headed “Procurement — Salient terms of the long-term agreement with On Grace” in this section, we have not entered into any long-term agreement with our suppliers. Our Directors consider that such arrangement is in line with the industry practice in Hong Kong. Salient terms of a typical purchase order with our suppliers are shown below:

- | | | |
|---------------------------|---|--|
| Material specification | : | A description of the materials required, including the type of materials, quantity, size and technical specifications. |
| Deposit and payment terms | : | We generally pay our suppliers an agreed amount ranging from 30% to 50% of the total purchase price as deposit upon confirmation of order. Some of our suppliers require us to settle their payment in full before delivery of the materials. For further details regarding the payment terms, please refer to the paragraph headed “Procurement — Payment terms” in this section. |
| Delivery | : | Our suppliers generally deliver the goods to the designated locations of the worksites with no extra cost. |

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Salient terms of the long-term agreement with On Grace

We have entered into long-term agreements with On Grace since our business relationship started in January 2016 as On Grace is capable to supply a wide variety of tailor-made items and fitting-out raw materials and adopts a cost-plus pricing method with us, which saves us time and administrative efforts to agree on pricing every time we place an order. If the manufacturing partners of On Grace do not have the capacity to take our order, On Grace may outsource our orders to other third parties suppliers pre-approved by us. The exact cost percentage of each purchase is to be confirmed in each individual order and On Grace would provide cost information for our verification on request. According to the Frost & Sullivan Report, some contractors may enter into a long-term agreement with no specific minimum purchase amounts with a few suppliers which they frequently cooperate with to facilitate administrative procedures, and it is common for materials suppliers and contractors to agree to adopt a cost-plus pricing model if they enter into such long-term agreement. Our Directors consider that such agreement with On Grace is in line with market practice and in the interests of our Group. As such agreement contains no exclusivity restriction, we are at liberty to source from other suppliers, but On Grace will have the obligation to supply or procure third party suppliers approved by us to supply the relevant materials to us when we place an order with no minimum purchase amount. During the Track Record Period, we did not breach any provision of the agreements with On Grace. Salient terms of our agreement with On Grace are summarised below:

Duration	:	From 1 January 2016 to 31 December 2018 and from 1 January 2019 to 31 December 2021
Payment:	:	Cost plus 1.0% to 1.5% (maximum)
Outsourcing	:	On Grace may outsource our orders to third parties suppliers pre-approved by us then such third parties suppliers would liaise with us and we would pay such suppliers directly. Those third parties approved by us would need to be on our internal list of approved suppliers which is reviewed and updated annually, further details of such list are set out in the paragraph headed “Procurement — Basis for selection of suppliers” in this section. We do not place orders directly with those third party suppliers as it may take time to agree on the payment terms with those third party suppliers. If On Grace outsourced orders to them, they would have to follow the cost-plus pricing method.
Exclusivity	:	Nil
Minimum purchase commitment	:	Nil
Rectification of defects	:	On Grace or the third party suppliers shall rectify defects identified by us within 7 days upon the collection of materials by us
Termination	:	Terminable by us by service of 6 months’ notice at any time during the term of the agreement

Pricing of suppliers

In general, the price is determined with reference to the quotation of suppliers as agreed on an order-by-order basis, which is generally the market price at the time. However, as we do not place purchase orders with our suppliers until the project has been awarded to us, in case there is any significant price fluctuation after we submit our tender documents, we may not be able to successfully pass the price difference to our customer.

Payment terms

During the Track Record Period, the procurement payments made by our Group were generally denominated in HK\$. We generally pay our suppliers around 30 days after they issue their invoice.

Inventory

We do not keep inventories of materials. Our project manager for each project is responsible for the overall scheduling of orders and deliveries of the materials, so as to match the project's material delivery requirements. We normally issue purchase orders to suppliers indicating the different tentative delivery dates which match with the project schedules. All materials are delivered by our suppliers to the project site or designated location for installation. Any damage or loss caused during the course of delivery shall be rectified by our suppliers.

SUB-CONTRACTING

Our sub-contractors generally provide installation or other technical services based on our customers' specifications including plastering, stone, ceiling, wood and metal works. Our sub-contractors sometimes also supply materials during the course of performing their services.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our sub-contractors.

Reasons for subcontracting arrangement and control on sub-contractors

According to the Frost & Sullivan Report, it is an industry practice that contractors would generally engage sub-contractors for project delivery. Our Directors believe that our sub-contracting arrangement allows for a low fixed cost overhead and the access to flexible labour force with different expertise and skill-sets without the need to keep a large number of workers under our permanent employment. Our sub-contractors are neither our employees nor agents and we are not a party to the employment arrangements between our sub-contractors and their employees. As the sub-contractors are responsible for providing the workers, relevant labour costs are borne by our sub-contractors.

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We are responsible to our customers for the performance of our sub-contractors where we may be liable for any potential personal injuries claims from the workers of our sub-contractors. Our sub-contractors are required to comply with the terms and conditions of our contracts with our customers including compliance with safety and environmental requirements and perform their works in accordance with the relevant specifications in contracts with our customers, and to report regularly to our Group about the progress of works to ensure projects are completed within the time stipulated in the sub-contracting agreements and also our agreement with customers. To maintain control over the performance of our sub-contractors, we take the approach of having our direct labour in our project team to carry out works to demonstrate the standard of work required for the sub-contractors to adopt for the remaining works. Our direct labour devices solutions to technical problems before delegating work to our sub-contractors. We communicate and coordinate with our sub-contractors from time to time to understand the problems encountered by them and provide timely support, and to ensure that the works are completed in time with required quality. Our Directors believe that by staffing our direct labour on sites, we can strike a balance between maintaining desired work quality and a low fixed cost in relation to overhead expenses.

For further information on our Group's internal rules and regulations in relation to work quality, occupational health and safety, and environmental protection, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Risk management and internal control system — Environmental matters" in this section.

Five largest sub-contractors

For the years ended 31 December 2017, 2018 and 2019, the sub-contracting fees attributable to our largest sub-contractor amounted to approximately HK\$21.9 million, HK\$19.4 million and HK\$35.5 million, representing approximately 6.2%, 3.8% and 5.1% of our total sub-contracting fees, respectively, while the sub-contracting fees attributable to our five largest sub-contractors in aggregate amounted to approximately HK\$64.8 million, HK\$87.2 million and HK\$130.4 million, representing approximately 18.5%, 17.3% and 18.9% of our total sub-contracting fees, respectively. To the best of our Directors' knowledge, none of our Directors or their respective close associates or our Shareholders who own more than 5% of the issued share capital of our Company had any interest in our five largest sub-contractors during the Track Record Period. All of our five largest sub-contractors during the Track Record Period are Independent Third Parties.

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The following tables set forth the details of our five largest sub-contractors during the Track Record Period:

For the year ended 31 December 2017

Rank	Sub-contractor	Major types of services provided to our Group	Year of commencement of business relationship	Typical payment terms and payment method	Sub-contracting fees	% of total sub-contracting fees
					(HK\$'000)	
1	Sub-contractor A <i>(Note 1)</i>	Plastering and stone works	2010	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	21,853	6.2
2	Chong Sun	Wood and metal works	2010	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	12,577	3.6
3	Sub-contractor B <i>(Note 2)</i>	Ceiling works	2014	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	10,326	2.9
4	Sub-contractor C <i>(Note 3)</i>	Wood and metal works	2012	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	10,194	2.9
5	Sub-contractor D <i>(Note 4)</i>	Ceiling works	2013	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	9,893	2.9
Total:					64,843	18.5

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For the year ended 31 December 2018

<u>Rank</u>	<u>Sub-contractor</u>	<u>Major types of services provided to our Group</u>	<u>Year of commencement of business relationship</u>	<u>Typical payment terms and payment method</u>	<u>Sub-contracting fees</u>	<u>% of total sub-contracting fees</u>	
					<i>(HK\$'000)</i>		
1	Sub-contractor E <i>(Note 5)</i>	Ceiling and wood works	2016	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	19,395	3.8	
2	Sub-contractor D <i>(Note 4)</i>	Ceiling works	2013	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	18,414	3.6	
3	Sub-contractor A <i>(Note 1)</i>	Plastering and stone works	2010	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	18,101	3.6	
4	Sub-contractor B <i>(Note 2)</i>	Ceiling works	2014	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	16,737	3.3	
5	Sub-contractor C <i>(Note 3)</i>	Wood and metal works	2012	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	14,530	3.0	
					Total:	<u>87,177</u>	<u>17.3</u>

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For the year ended 31 December 2019

<u>Rank</u>	<u>Sub-contractors</u>	<u>Major types of services provided to our Group</u>	<u>Year of commencement of business relationship</u>	<u>Typical payment terms and payment method</u>	<u>Sub-contracting fees</u>	<u>% of total sub-contracting fees</u>
					<i>(HK\$'000)</i>	
1	Sub-contractor B <i>(Note 2)</i>	Ceiling works	2014	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	35,485	5.1
2	Chong Sun	Wood and metal works	2010	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	27,738	4.0
3	Sub-contractor F <i>(Note 6)</i>	Plastering works	2019	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	22,956	3.3
4	Sub-contractor E <i>(Note 5)</i>	Ceiling and wood works	2016	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	22,178	3.3
5	Sub-contractor G <i>(Note 7)</i>	Ceiling works	2019	Around 30 days after the sub-contractor issues its invoice; bank transfer or cheque	22,067	3.2
Total:					<u>130,424</u>	<u>18.9</u>

Notes:

1. Sub-contractor A is a private company in Hong Kong providing plastering and stone works.
2. Sub-contractor B is a private company in Hong Kong providing ceiling works.
3. Sub-contractor C is a private company in Hong Kong providing wood and metal works.

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4. Sub-contractor D represents two private companies in Hong Kong providing ceiling works, which have a group of common shareholders.
5. Sub-contractor E is a private company in Hong Kong providing ceiling and wood works.
6. Sub-contractor F is a private company in Hong Kong providing plastering works.
7. Sub-contractor G is a private company in Hong Kong providing ceiling works.

Basis for selection of sub-contractors

We would obtain quotation from at least three sub-contractors in our internal list of approved sub-contractors. Such internal list is reviewed and updated annually according to the performance of the sub-contractors. As at the Latest Practicable Date, we had over 96 approved sub-contractors available from our internal list of approved sub-contractors. To avoid over-reliance on a few sub-contractors, our lists of approved sub-contractors generally include multiple approved sub-contractors for each particular type of works. We select sub-contractors based on various criteria, including, among other things, (i) quotation; (ii) expertise and performance; (iii) service quality; (iv) defects liability period; and (v) availability. For our procedures to prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site, please refer to the paragraph headed “Requirements under the Immigration Ordinance” in this section.

During the Track Record Period, our Directors confirm that our Group did not experience any material dispute with our sub-contractors nor any material shortage or delay in the supply of services by our sub-contractors that significantly affected our business.

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Salient terms of engagement with our sub-contractors

Our Group generally engage our sub-contractors on a project-by-project basis instead of entering into long-term agreements with the sub-contractors. Our Directors consider that such arrangement is in line with the industry practice in Hong Kong. Salient terms of a typical engagement with our sub-contractors are shown below:

- Scope of work : The scope of work our Group subcontract out generally involves installation and/or technical services. Our sub-contractors sometimes also supply materials.
- Sub-contracting fee : Generally a fixed lump sum price but is subject to any variation orders or additional works to be performed by the sub-contractors with our prior consent.
- Project duration : Our sub-contractors are required to complete the project within the given period.
- Deposit and payment terms : We generally do not pay a deposit to our sub-contractors and pay our sub-contractors by monthly progress payment. For further details regarding the payment terms, please refer to the paragraph headed “Sub-contracting — Payment terms” in this section.
- Defects liability period : Our sub-contractors generally provide a defects liability period of 12 to 24 months which is in line with that under our contracts with customers, during which our sub-contractors would need to rectify any defects in the work delivered to our customers that are caused by them at their costs.
- Retention money : We may be entitled to retain up to 10% of the lump sum fixed price as retention money. Half of such retention money will be released upon practical completion of a project with the remaining half to be released upon expiry of the relevant defects liability period.
- Liquidated damages : Our sub-contractors are liable to compensate an amount of liquidated damages if they fail to complete the fitting-out works on schedule.

In general, we did not require our sub-contractors to provide surety bonds ahead of project commencement during the Track Record Period.

If our customer defaults in making payments, we remain liable to settle the sub-contracting fees for the sub-contracting work that is performed. During the Track Record Period, there has been no default in making payment by our customer to us in relation to work performed by our sub-contractors.

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Payment terms

During the Track Record Period, the sub-contracting fees paid by our Group were generally denominated in HK\$. We generally pay our sub-contractors around 30 days after they issue their invoice.

QUALITY CONTROL

We emphasise quality control as we believe that good track record is key to securing business opportunities from our existing and potential customers. We have adopted a systematic approach by formulating various checklists and policies derived from the past experience and know-how of our management to serve as objective standards for our project managers to evaluate and control the quality of our projects. Our quality management system is certified to be in compliance with the requirements of ISO 9001:2015 as at the Latest Practicable Date.

Upon receipt of the materials from our suppliers, our project team will check to ensure that the materials delivered are consistent to required material specifications. If the materials found to be defective or inconsistent with the material specifications, our staff will report to our project managers and inform our project administration team to follow up with the suppliers.

Our project managers and safety supervisors will conduct regular on-site inspections and arrange for regular meetings with our sub-contractors and customers to address work progress and to resolve any problems which may arise. Our project managers prepare minutes for such meetings and prepare action plans, and report to our Directors during the weekly meeting. If there is any delay in work progress, our project managers will have to follow up and explain to our Directors. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint or request for any kind of material compensation from our customers in relation to quality issue of our work completed and our sub-contractors' work completed.

LICENCES AND QUALIFICATIONS

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licences, permits, registrations and qualifications required for our business operations in Hong Kong and we did not experience any material difficulties in obtaining and/or renewing such licences, permits, registrations and qualifications that are necessary for our business operations in Hong Kong. The table below sets out our major licenses, qualifications and certifications in Hong Kong as at the Latest Practicable Date:

<u>Type of registration</u>	<u>Issuing authority</u>	<u>Registration number/Trade code</u>	<u>Date of expiry</u>
Certificate of Registration of Electrical Contractor <i>(Note 1)</i>	Electrical and Mechanical Services Department	020595	16 August 2020

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<u>Type of registration</u>	<u>Issuing authority</u>	<u>Registration number/Trade code</u>	<u>Date of expiry</u>
Certificate of Registration of Registered Minor Works Contractor (Company) <i>(Note 2)</i>	Building Authority	MWC 991/2010 <i>(Note 3)</i>	20 September 2021
Registered sub-contractor (registered under the predecessor scheme of the Registered Specialist Trade Contractors Scheme, and was automatically registered into the Register as Group 1 (confirmed) Registered Specialist Trade Contractors (the scheme currently in force) for the designated trade)	Construction Industry Council	02.11 Renovation and fitting-out	24 March 2023

Notes:

1. Success Base Engineering is required under the relevant laws and regulations to employ at least one registered electrical worker in order to qualify as a registered electrical contractor. As at the Latest Practicable Date, Success Base Engineering had three employees who were registered electrical workers in this connection.
2. Success Base Engineering is required under the relevant laws and regulations to appoint at least one authorised signatory and one technical director in order to qualify as a registered minor works contractor. As at the Latest Practicable Date, Mr. Ng was an authorised signatory and technical director, and another project manager of our Group was an authorised signatory of Success Base Engineering in this connection.
3. As at the Latest Practicable Date, Success Base Engineering was registered minor works contractor for Type A (Classes I, II and III), Type B (Classes I, II and III), Type C (Classes I, II and III), Type D (Classes I, II and III), Type E (Classes I, II and III), Type F (Classes I, II and III), and Type G (Classes I, II and III).

ENVIRONMENTAL MATTERS

Our business is subject to certain laws and regulations in relation to environmental protection. Please refer to the section headed “Regulatory overview” of this prospectus which sets out further information about the laws and regulations in relation to environmental protection.

Our Directors are of the view that it is essential for us to be environmentally responsible in business practices to meet our customers’ satisfaction in environmental protection as well as fulfilling the community’s expectation for a healthy living and working environment. We establish environmental protection plans for our projects to ensure compliance with relevant environmental laws and contractual requirements of our customers and minimise the environmental impacts of our operations regarding air pollution, water pollution, noise, waste and chemicals. During the Track Record Period, we did not incur any material costs in relation to compliance with applicable environmental laws and regulations and do not expect to incur any significant expenses in this respect going forward.

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material non-compliances in relation to environmental protection.

INSURANCE

During the Track Record Period, we have taken out insurance policies relating to employees’ compensation for our own employees. For the years ended 31 December 2017, 2018 and 2019, our insurance costs amounted to approximately HK\$2.2 million, HK\$1.4 million and HK\$4.1 million, respectively. In addition, subject to specific contract requirement required by our customers, we may be required to take out employees’ compensation insurance to cover any liabilities arising from injuries at worksites and/or contractors’ all risks insurance which typically cover (a) liability arising from potential bodily injury to third parties or death as a result of the performance of contract works undertaken by us or by our sub-contractors at the worksites; and (b) liability arising from damage to third parties’ properties as a result of the performance of our project works undertaken by us or by our sub-contractors at the worksites.

Employees’ compensation insurance

Pursuant to section 40 of the Employees’ Compensation Ordinance, all employers 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.

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material non-compliances in relation to the Employees’ Compensation Ordinance.

Other insurance

In addition, we have also maintained medical, travel, personal accident, site office insurance and keyman life insurance.

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Uninsured risks

Certain risks disclosed in the section headed “Risk factors” in this prospectus, such as risks in relation to customer concentration, our ability to obtain new contracts, estimation and management of costs, our ability to retain and attract personnel, credit risk and liquidity risk are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Please refer to the paragraph headed “Risk management and internal control system” below in this section for further details regarding how our Group manages certain uninsured risks.

During the Track Record Period and up to the Latest Practicable Date, we have not made any material insurance claims in respect of the aforementioned insurance policies. Our Directors are of the view that our existing insurance policies provide sufficient coverage of the risks and liabilities to which we may be exposed to in the course of our business operation and are consistent with industry norm.

IMPACT OF OUTBREAK OF COVID-19

Closure of our fitting-out project worksites

Under the current outbreak of COVID-19 in Hong Kong, four of our fitting-out project worksites were temporarily closed for two weeks in early February 2020, as directed by the relevant customers as a precautionary measure to prevent the spread of COVID-19. All such worksites have resumed operation afterwards, and our Group has not experienced any further worksite closures and/or suspensions up to the Latest Practicable Date. As the period from project planning to project practical completion might take around 22 to 36 months, in the opinion of our Directors, the closure of worksites for two weeks in early February 2020 would not cause significant delay to our projects, and to the best knowledge, information and belief of our Directors, we will be able to catch up subsequently with such delayed progress.

Potential disruptions to our business and operations

To the best knowledge of our Directors, none of our employees or other personnel working at our worksite(s) have been diagnosed with confirmed cases of COVID-19 since the outbreak of COVID-19 and up to the Latest Practicable Date. However, if the outbreak of COVID-19 persists for a substantial period or there are personnel working at the worksite(s) who are infected with COVID-19 from time to time whereby the worksite(s) have to be suspended from time to time correspondingly, the potential effect of the delay or disruption to the worksite(s) may be substantial. Based on our discussion with the main contractors of our fitting-out works projects, if any personnel working in the worksite(s) has been confirmed positive for COVID-19, the relevant main contractor(s), property developer(s) or ultimate customer(s) of our fitting-out works projects would consider suspending all works in the relevant worksite(s), including our fitting-out works, for at least two weeks. In the event that there is an increasing trend of local transmission of COVID-19, the Hong Kong government may step up social distancing measures including closure of physical workplace premises, which may cause suspension of our works. If such circumstances arise, our Directors consider that such suspension will, subject to its duration and frequency, delay our work progress and project timetable. As a result, we may have to pay liquidated damages or compensation to our customers according to the terms of the contracts if such delay is not accepted by the relevant customer. There may also be material disruptions to the sourcing of materials and sub-contracting services. Such disruption, if not properly addressed, may affect our

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abilities to discharge our obligations under the existing contracts. All of these will adversely affect our business operation and financial performance as a result. Our relationship with the relevant customers may also be adversely affected.

Business contingency plans

For our projects on hand as at the Latest Practicable Date, we have formulated business contingency plans:

- Business contingency plans as to sourcing of materials

To the best knowledge of our Directors, some of our suppliers might source their materials and/or products from manufacturers located in the PRC. We have made enquiries with those suppliers who source their materials from manufacturers located in the PRC and, to the best knowledge of our Directors, as at the Latest Practicable Date, the continuing supply of our fitting-out raw materials and doors, furniture and accessories tailor-made according to the specifications of our customers would not be materially affected. According to the Frost & Sullivan Report, in view of the number of confirmed cases of COVID-19 in the PRC has gradually slowed down and appeared to be effectively controlled in March 2020, some companies in the PRC, including production and manufacturing enterprises, have been implementing staged returns to work and some have even resumed full production. Our Directors have also received confirmations from our suppliers for the projects on hand as at the Latest Practicable Date, a majority of them being our five largest suppliers during the Track Record Period, that there would be no significant delay in the supply and delivery of materials to us. We will closely monitor the situation and have prepared contingency plans. Assuming the hypothetical case in which suppliers are not able to deliver the materials to us on time, or at all, although we do not keep inventories of materials, our Directors consider there to be immaterial impact on us, as there were over 72 suppliers (where we had worked with 53 of them during the Track Record Period) in our internal list of approved suppliers maintained by us as at the Latest Practicable Date, and we generally have multiple approved suppliers as alternatives for the major materials used in our projects.

- Business contingency plans as to sub-contracting services

During the Track Record Period, our five largest sub-contractors are based in Hong Kong. Our Directors have received confirmations from our sub-contractors for the projects on hand as at the Latest Practicable Date, a majority of them being our five largest sub-contractors during the Track Record Period, that they are able to provide labour or perform the services engaged. We will closely monitor the situation and have prepared contingency plans. Assuming the hypothetical case in which some sub-contractors are not able to provide labour or perform the services engaged, our Directors consider there to be immaterial impact on us, as there were over 96 approved sub-contractors in our internal list of approved sub-contractors maintained by us as at the Latest Practicable Date (where we had worked with 74 of them during the Track Record Period) and we generally have multiple approved sub-contractors as alternatives for each particular type of works.

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- Business contingency plans in case we encounter project cancellations or material delays in work progress

Our Directors recognise that, if the development of COVID-19 persists or intensifies, the economy in Hong Kong may be adversely affected. In such event, the resultant unfavourable economic conditions of Hong Kong, dampened market sentiment and decreased purchasing power of the general public could be a disincentive for property developers or other ultimate customers to commence new property projects, thus delaying or reducing the number of new projects to be awarded to us. Furthermore, our customers may become unable to settle the payments due to us for our services rendered within the agreed schedule or at all. There may also be cancellation or material delays to our projects on hand. We have considered the following business contingency plans which will be implemented in case we encounter project cancellations or material delays in work progress:

- Evaluate existing contracts and liaise with our customers for possible extension of contract periods and delay in fulfilling the surety bond requirements;
- Maintain minimum headcount to support our operations by placing our staff on unpaid leave; and
- Reduce material costs or sub-contracting charges by suspending suppliers'/sub-contractors' services until further notice.

Our Directors are of the opinion that, taking into account (i) the above contingency plans; (ii) financial resources available to us, including cash and cash equivalents of HK\$4.2 million, available financing facilities of approximately HK\$61.3 million as of 30 April 2020 and the estimated net proceeds to be received by us from the Share Offer for general working capital of our Group of approximately HK\$8.4 million; and (iii) our cash burn rate, which is our cash and bank balances divided by monthly cash demand, in the worst case that all our projects are cancelled/suspended and no operations can be performed, we will have sufficient working capital to cover our working capital needs, including cost of services and administrative expenses for at least the next 12 months from the date of this prospectus.

As at the Latest Practicable Date, our Directors further confirm that:

- (i) our Group had not experienced any project cancellation/material delay on the expected work progress of our projects on hand;
- (ii) there had been no material impact on the supply of materials and/or labour to our Group;
- (iii) there had been no material impact on our costs;
- (iv) our Group had not experienced material difficulties collecting payments from customers;
- (v) our Group had not experienced material difficulties in discharging our obligations under all existing contracts; and
- (vi) to the best knowledge, information and belief of our Directors, there will not be any material impact on our Group's operation and financial performance for the year ending 31 December 2020, due to the outbreak of COVID-19 in Hong Kong.

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According to the Frost & Sullivan Report, it is anticipated once such outbreak is effectively controlled, the outlook for the fitting-out market will remain positive as supported by the strong domestic demand from the residential and commercial sectors in the long-run. According to the Frost & Sullivan Report, property projects in Hong Kong generally need to be planned long before completion as it usually takes about two to three years for site formation works and about three to four years for building and infrastructure works. Moreover, according to the Task Force on Land Supply, although the land supply for residential use will be substantially increased by 2026, there is still an obvious land shortage to meet the public needs of Hong Kong and hence, there will be a profound demand for residential buildings and the fitting-out market in Hong Kong is perceived to be less affected by social unrest and the outbreak of COVID-19. As such, our Directors are of the view that our Group's continuing business operation and sustainability may not be materially affected.

Further, as part of our Group's contingency plan due to the outbreak of COVID-19, our Directors confirm that there are sufficient hygiene measures in place. Please refer to the paragraph headed "Occupational health and safety — Hygienic working environment" in this section for more details.

OCCUPATIONAL HEALTH AND SAFETY

We are committed to providing a safe and healthy working environment for all our employees. We endeavour to ensure all of our works strictly comply with the relevant laws and regulations in relation to occupational health and safety by providing a safe and healthy working environment to our employees and others who may be affected by our projects. Please refer to the section headed "Regulatory overview" in this prospectus for further details on the occupational health and safety laws and regulations. During the Track Record Period, our Group did not have any material non-compliance in relation to applicable laws or regulations of health and safety.

We have formulated our occupational health and safety policy and established our safety and health management system. We review such system and the policy annually. We ensure that our works are performed in compliance with the relevant safety and health statutory and contractual requirements of our customers. We also hold monthly safety and health meeting and briefing for our employees. Our safety supervisors are responsible for monitoring and providing training regarding safety and health to our employees. We emphasise to our employees that they are responsible to execute the occupational and health precautionary measures for securing the safety and health of themselves and other people who work on our projects. We check if the workers are registered construction workers under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) before allowing them to enter the sites, and provide all necessary safety and protection equipment to our employees at work.

We require our sub-contractors to abide by all legislations, codes and guidelines, and hold regular meetings with sub-contractors to discuss safety issues.

Accidents during the Track Record Period

Although we have implemented safety control measures to minimise accident risks, the occurrence of accidents at project sites cannot be completely eliminated due to the work nature in the fitting-out industry. For the years ended 31 December 2017, 2018 and 2019, six, 13 and six of our employees and daywork labour were injured in the ordinary course of our business, respectively, which gave rise or may give rise to potential employees' compensation and personal injury claims.

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The following table sets forth the nature of accidents and number of employees and daywork labour who were injured during the Track Record Period:

Nature of accidents	Number of employees and daywork labour who were injured
Slipped, tripped or fell on same level	3
Fell from height	2
Injured when lifting or carrying	4
Cut, pinched or struck by object	7
Others (strains caused when performing ceiling work, strains resulted from a traffic accident on the way to worksite of being hit by the following vehicle ^(Note) , eye injury when performing wood work, and leg injury when going down the stairs)	9

Note: Such traffic accident happened in the calendar year 2018 and five workers were injured in the traffic accident.

There were no fatal accidents during the Track Record Period. Except for the traffic accident in the calendar year 2018, our Directors are of the view that those accidents happened because of the work nature in the fitting-out industry, and that none of our accidents during the Track Record Period were significant accidents in relation to workers' safety. During the Track Record Period, our accident rate was lower than that of the relevant industry average data available in Hong Kong, further details of which are set out in the paragraph headed "Occupational health and safety — Analysis on accident rate" in this section.

Injured workers may claim against us under the Employees' Compensation Ordinance and/or the common law. With respect to injuries where the injured workers had only made an employees' compensation claim, the compensation paid to the injured workers under the Employees' Compensation Ordinance would not exempt our liabilities under the common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury under common law is three years from the date of the relevant accident. As such, it is still possible for the injured worker to instigate claims against us under the common law, provided that the limitation period has not yet expired as at the Latest Practicable Date. On the other hand, the compensation paid to such injured worker, if any, would be reduced and off-set by the compensation already paid to the worker under the Employees' Compensation Ordinance.

Our Group is required under the Employees' Compensation Ordinance to take out and had taken out insurance coverage in Hong Kong to provide for liability under the aforementioned claims. Our Directors are of the view that claims, if any, from such accidents occurring during the Track Record Period concerning our employees and daywork labour in the ordinary course of our business are sufficiently covered by the insurance coverage obtained by us or the main contractors. Out of the 25 accidents as at the Latest Practicable Date, to the best knowledge of our Directors, the claims in respect of 21 of these accidents were fully settled, and the remaining four accidents were being handled or pending to be handled by the relevant insurers. Our Directors are of the view that such four accidents will not have a material impact on our Group's financial position and performance as they are expected to be sufficiently covered by the insurance coverage obtained by us or the main contractors. During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any

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difficulties in making claims to our insurers or encountered any dispute on liability from our insurers and had not incurred any residual liabilities not covered by insurance arising from any employees' compensation claims.

We evaluate our safety measures regularly and in the event of the occurrence of significant accidents, in order to improve safety control and to avoid recurrence of significant accidents. Whilst our Directors are of the view that none of our accidents during the Track Record Period were significant accidents, enhanced safety measures have been put in place to minimise the occurrence of accidents including establishing a site audit and safety team headed by a registered safety officer under our project department, and we have staffed safety supervisors in our project teams to ensure that all on-site workers follow our occupational health and safety policy. We regularly provide or arrange occupational health and safety training for our employees to raise awareness. We also report safety performance to all our employees during monthly safety and health meeting and briefing.

Analysis on accident rate

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

	Industry average in Hong Kong <i>(Note 1)</i>	Our Group <i>(Note 2)</i>
From 1 January 2017 to 31 December 2017		
Accident rate per 1,000 workers	32.9	14.2
Fatality rate per 1,000 workers	0.185	Nil
From 1 January 2018 to 31 December 2018		
Accident rate per 1,000 workers	31.7	25.9
Fatality rate per 1,000 workers	0.125	Nil
From 1 January 2019 to 31 December 2019		
Accident rate per 1,000 workers	N/A <i>(Note 3)</i>	13.3
Fatality rate per 1,000 workers	N/A <i>(Note 3)</i>	Nil

Notes:

1. The industry average figures are based on the Occupational Safety and Health Statistics Bulletin No. 19 (August 2019) published by Occupational Safety and Health Branch, Labour Department.
2. Our accident rate is calculated as the number of accidents during the year divided by the daily average number of our employees and workers arranged by our sub-contractors during the year and multiplied by 1,000.
3. The relevant data has not been published as at the Latest Practicable Date.

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Hygienic working environment

In view of the outbreak of COVID-19 in Hong Kong, our Group had adopted a contingency plan for pandemic outbreak in January 2020 (which was and would be updated from time to time) to protect our workers from the outbreaks of infectious diseases.

Under our contingency plan for pandemic outbreak, our project managers shall take all practicable steps in our worksites to maintain a hygienic working environment in the interest of all personnel who may be present including our employees, sub-contractors, visitors and members of the public. Based on the result of the risk assessment conducted, our project manager shall decide on any additional preventive measures applicable to the project, which may include, but not limited to, the followings:

- Temperature screening at entry of premises
- Temperature screening before work
- Hand sanitizing
- Disinfection of common areas
- Personal protection control (respiratory protection such as wearing face masks, etc.)

Accordingly, all our employees and sub-contractors are required to familiarise themselves with requirements of our contingency plan for pandemic outbreak and ensure that all the workers under their supervision fully comply with the requirements. We will provide training to our workers on the proper use of the personal protective equipment (if applicable) and safety supervisors and/or site supervisors will check whether such equipment are functional and clean, and workers are using them correctly.

EMPLOYEES

The following table sets forth a break of our full-time employees by function employed by us in Hong Kong during the Track Record Period and as at the Latest Practicable Date:

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at the Latest Practicable Date
Directors	1	2	3	3
Administrative and accounting department	50	57	83	91
Contract department	10	14	12	7
Project department	132	122	137	122
Technical design department	13	11	16	16
Total	206	206	251	239

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Recruitment, training and retention

We generally recruit our employees from the open market by placing recruitment advertisements or through staff referral. Our department heads assess the available human resources of their respective departments on a continuous basis and determine whether additional personnel are required to cope with the business development of our Group.

Our Directors believe that employees are our most important assets and our success hinges on our employees' provision of consistent, quality and reliable services. In order to attract and retain employees, and develop the knowledge, skills and quality of our employees, we place a strong emphasis on training and development. We provide or arrange training across operational functions, including introductory training for new employees, technical training and occupational health and safety training, both internally and through external parties such as the Vocational Training Council. Further, to strengthen our employees' sense of belonging to our Group, improve work morale and promote work-life balance, we organise periodic team building activities and provide a staff's vacation quarters where our employees can book to use for free. Such staff's vacation quarters was leased by our Group from Ms. Zhao, an executive Director, and therefore constitutes continuing connected transactions under the relevant provisions of the Listing Rules. For further details, please refer to the section headed "Connected transactions" in this prospectus.

In addition, we promote internal upward mobility opportunities by providing career development opportunities to our employees to help improve their managerial and professional skills and advance their careers.

Remuneration policy

The remuneration package our Group offered to our employees includes salary, discretionary year-end bonuses, discretionary incentive bonuses, and other cash subsidies. We provide a defined contribution to the Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our eligible employees. We determine the salary of our employees mainly based on their qualifications, experiences and performance. We carry out regular review on the performance of employees to determine any salary adjustments, bonuses and promotions.

Relationship with employees

During the Track Record Period and up to the Latest Practicable Date, we have complied with the applicable employment and labour laws and regulations in all material respects. We believe that we maintain a good working relationship with our employees, and we did not experience any strikes, labour disputes or other labour disturbances which have materially and adversely interfered with our business operations during the Track Record Period.

REQUIREMENTS UNDER THE IMMIGRATION ORDINANCE

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a sub-contractor, 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

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illegal immigrants from being on site and (ii) prevent illegal workers who are not lawfully employable from taking employment on site. For further information, please refer to the section headed “Regulatory overview” in this prospectus.

To prevent having illegal immigrants from being on site and to prevent illegal workers from taking employment on site, we would inspect and keep record of the original of the identification document of the workers and check if the workers are registered construction workers under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) before allowing them to enter the sites. We also state in the contracts we enter into with our sub-contractors that they should only employ persons who are lawfully employable to work on sites.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we have not been involved in any employment of illegal workers (whether directly or indirectly via sub-contracting to the best of our Director’s knowledge, information and belief) in respect of worksites over which we had or have control or of which we are or were in charge, and we have not been subject to any prosecution of any offences under the Immigration Ordinance in relation to the aforesaid requirements.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group owned three registered trademarks and two registered domain names, which are, in the opinion of our Directors, material to our business. Details of these intellectual property rights are set out in paragraph headed “B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against our Group in relation to the infringement of any intellectual property rights of third parties.

PROPERTIES

As at the Latest Practicable Date, we did not own any property. The following table summarises the information regarding our leased properties as at the Latest Practicable Date:

<u>Location</u>	<u>Approximate gross floor area</u>	<u>Rent</u>	<u>Usage</u>	<u>Duration</u>
	<i>(square feet)</i>	<i>(HK\$ per month)</i>		
Flat A & B, 3/F, Yin Da Commercial Building, 181 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong ^(Note 1)	12,680	151,900	Office	From 16 January 2018 to 15 January 2021

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<u>Location</u>	<u>Approximate gross floor area</u> <i>(square feet)</i>	<u>Rent</u> <i>(HK\$ per month)</i>	<u>Usage</u>	<u>Duration</u>
Flat 3, 10/F, Fu Lee Commercial Building, 14–20 Pilkem Street, Kowloon, Hong Kong	425	10,000	Office	From 15 May 2019 to 14 May 2021
Flat E, 10/F, Block 20, Tropicana 7, Dynasty Heights, 2 Yin Ping Road, Beacon Hill, Kowloon, Hong Kong and car parking space No. 187 ^(Note 2)	1,926.8	50,000	Directors’ quarters	From 1 January 2020 to 31 December 2022
Flat F, 10/F, Block 20, Tropicana 7, Dynasty Heights, 2 Yin Ping Road, Beacon Hill, Kowloon, Hong Kong and car parking space No. 29 ^(Note 3)	1,926.8	50,000	Directors’ quarters	From 1 January 2020 to 31 December 2022
House J4 of Stage IV, Marina Cove, 380 Hiram’s Highway, Hebe Haven, Sai Kung, New Territories, Hong Kong ^(Note 4)	1,372.4	75,000	Staff’s vacation quarters	From 1 January 2020 to 31 December 2022

Notes:

1. Mr. Ng had provided personal guarantees to the landlord (an Independent Third Party) of this property for the benefit of Success Base Engineering. Please refer to the paragraph headed “Connected transactions — Fully exempt continuing connected transactions — Mr. Ng’s personal guarantee on Office Tenancy Agreement” in this prospectus for details.
2. This property is owned by Success Land. Please refer to the paragraph headed “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Success Land” in this prospectus for details.
3. This property is owned by Mr. Ng. Please refer to the paragraph headed “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Mr. Ng” in this prospectus for details.
4. This property is owned by Ms. Zhao. Please refer to the paragraph headed “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Ms. Zhao” in this prospectus for details.

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

LEGAL PROCEEDINGS AND CLAIMS

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

Set out below is a claim against our Group during the Track Record Period and up to the Latest Practicable Date which may have a material and adverse effect on our financial conditions or results of operations:

Nature of claim	Name of plaintiff	Details of the claim	Status
<p>Tenancy dispute between the landlord and Success Base Engineering as tenant</p>	<p>Leung Wai Ling Isewesg (梁慧玲)</p>	<p>The tenancy dispute relates to a factory unit, which Success Base Engineering initially rented for a terms of 36 months from 27 April 2018 to 26 April 2021 for the purposes of storage of certain fitting-out materials. We purchased those fitting-out materials for our customers' projects and stored them in such factory unit during the defects liability period of the respective projects in case we would need to retrieve those materials for defects rectification purposes. Success Base Engineering was of the view that the landlord unilaterally imposed a loading limit in respect of the said unit <i>inter alia</i> making the unit unfit for the purpose of storing fitting-out materials which, among others, amounted to a repudiation of the relevant tenancy agreement and intended to terminate the tenancy agreement. In October 2018, the plaintiff claimed against Success Base Engineering for (i) possession; (ii) arrears of monthly rent of HK\$44,500 during the period of three months from 27 September 2018 to 26 December 2018 in the total sum of HK\$133,500; (iii) mesne profit at HK\$44,500 per month from 27 December 2018 to the date of order of possession (or to the date of commencement of action if such amendment is allowed); (iv) damages (to be assessed); (v) costs; and (vi) further and other reliefs.</p>	<p>On 6 January 2020, the court found against Success Base Engineering for a sum of approximately HK\$0.3 million and costs of the action including the legal costs of the plaintiff for which, we may be liable to around HK\$0.9 million based on the best knowledge of our Directors after seeking professional advice, and yet our Directors are advised that such expected costs are an estimation and the exact costs are only known after the appeal is concluded. The exact costs, if of substantial amount, may have adverse effect on our financial position. We served notice of appeal to the plaintiff in February 2020. As at the Latest Practicable Date, the appeal is still ongoing and no final orders have been made by the court.</p>

COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systematic in nature, and our Group has complied with all applicable laws and regulations in Hong Kong in all material respects.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have also given indemnities to our Group on a joint and several basis against all expenses, payments, sums, outgoing, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, whether directly or indirectly, from or on the basis of or in connection with any non-compliance under the Deed of Indemnity. For more details of the Deed of Indemnity, please refer to the paragraph headed “E. Other Information — 1. Tax indemnity, other indemnity and estate duty” in Appendix IV to this prospectus.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we have not taken part in any material research and development activities. For the years ended 31 December 2017, 2018 and 2019, we engaged two, five and five information technology consultants, respectively. Such consultants are Independent Third Parties.

During the Track Record Period, our information technology consultants incorporated up-to-date technologies and devised technical solutions to aid our business operation like three-dimensional laser scanning which had been utilised during the Track Record Period to perform work in a more accurate and cost-effective manner. We also engaged information technology consultants to explore the possibility on using latest visualising technologies to facilitate and promote our fitting-out business, including developing an experimental projection system, a virtual reality display system and a database of three-dimensional design materials and furniture models to allow visualisation and easy amendment of the fitting-out design and reduce the chance of reworks and errors. In addition, we engaged an information technology consultant to develop a project operation system that needs to be customised to fit our Group’s systematic approach in management and operation (which is different from many of our industry peers who may rely on their project managers to oversee project management to a large extent), with a view to further improve our Group’s control on the project progress, costs, human resources and quality. Our information technology consultants also advised on our Group’s information technology server, information technology security and website maintenance.

Members of our information technology consultants include individuals and corporate service providers consisting of experienced programmers and software developers devising high technology enhancements and solutions to aid our business operation.

For the years ended 31 December 2017, 2018 and 2019, we incurred information technology consultancy fee of approximately HK\$0.2 million, HK\$1.0 million and HK\$2.9 million, respectively. According to the Frost & Sullivan Report, some contractors may engage information technology

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consultants for similar scope of services as that of our Group, and the consultancy fees paid by our Group to the consultants are within the market range based on the consultants' work experience/work portfolio, qualifications as well as the scope of work performed.

To the best knowledge of our Directors, during the Track Record Period and as at the Latest Practicable Date, save as disclosed in the paragraph above and apart from the consultancy agreements, there have been no other past or present relationships (shareholding, family, business or otherwise), agreements or arrangements between the information technology consultants (including the ultimate shareholders and directors of the corporate consultants) and our Group, our Shareholders, Directors and senior management, or any of their respective associates.

We will also continue to explore and apply up-to-date technologies to aid our future growth and possible expansion of our fitting-out business to serve a broader group of potential customers and related markets.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

In preparation for the Listing and to further improve our internal control system, in May 2018, we engaged an internal control consultant to perform an assessment over our Group's internal control system on internal control environment, risk assessment, information and communication, monitoring activities, anti-corruption policy and process, financial reporting, fitting-out contracts and project management, procurement and payables, cash and capital management, fixed assets management, human resources and payroll management, tax management, general information system control, and work safety, insurances and environmental protection.

Our internal control adviser mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its clients including listed companies and companies preparing for listing in Hong Kong.

After considering the actions taken by us and results of the subsequent follow-up reviews by our internal control adviser, our Directors are of the view that our internal control measures are adequate and effective for our Group's operations.

In order to strengthen our internal control system, our Group has also adopted or will adopt the following key measures to mitigate the risks relating to our Group:

Corporate governance measures

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on decision-making process and provision of independent advice to our Board. We have established the Audit Committee to review the effectiveness of the financial reporting process, risk management and internal control systems of our Group. Our Directors attended training sessions provided by our legal advisers as to Hong Kong laws on applicable laws and regulations in Hong Kong in December 2019, including the Listing Rules and will continue to do so on a continuing basis. We have engaged Lego Corporate Finance Limited as our compliance adviser to advise us on the compliance matters under the Listing Rules. We will oversee our compliance matters from and seek timely legal advice from external professional advisers where necessary.

Minimise exposure to liquidity risk

We are exposed to liquidity risk due to the payment practice applied to our projects. For details of such risk, please refer to the paragraph headed “Risk factors — Risks relating to our business — We may face liquidity risk in relation to working capital requirements associated with undertaking contract works and potential mismatch in time between receipt of progress payments from our customers and payment to our suppliers and sub-contractors” in this prospectus. Based on our Directors’ experience and taking into account our fitting-out projects undertaken during the Track Record Period, our Upfront Costs for fitting-out projects for NW Group as property developer or SHK Group were normally recouped in full after approximately three months on average after they were incurred, while that for fitting-out projects for other customers were normally recouped in full after approximately 13.0 months on average, further details of which are set out in the paragraph headed “Business strategies — Strengthen our financial position to satisfy our Upfront Costs and surety bonds requirements” in this section. As for further details of our financial liabilities, please refer to Note 3.1(c) in the Accountant’s Report in Appendix I to this prospectus.

To minimise our exposure to liquidity risk and potential cash flow mismatch, our administrative and accounting department regularly monitors our financial position. Our management forecasts the amount of cash required and monitor our Group’s working capital requirements to ensure that all liabilities due and known funding requirements could be met by closely following up with the amounts overdue with our customers and keeping credit lines available and sufficient. We maintain a level of internal financial resources deemed adequate by the management to finance our Group’s operations and if there is any expected shortage of internal financial resources, we may refrain from undertaking new projects and/or consider different equity and/or debt financing alternatives, including but not limited to obtaining adequate committed lines of funding from banks and other financial institutions.

Customer concentration risk

Please refer to the paragraph headed “Customers — Customer concentration” in this section.

Quality control systems

Please refer to the paragraph headed “Quality control” in this section.

Environmental matters

Please refer to the paragraph headed “Environmental matters” in this section.

Occupational health and safety

Please refer to the paragraph headed “Occupational health and safety” in this section.

Retaining talents

Please refer to the paragraph headed “Employees” in this section.

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Credit risk relating to collection of trade receivables and retention receivables

Please refer to the paragraph headed “Customers — Payment terms and collection of our trade receivables and retention receivables” in this section.

Risk of potential inaccurate cost estimation and cost overrun

Please refer to the paragraph headed “Sales and marketing — Pricing strategy” in this section.

Risks relating to sub-contractors’ performance

Please refer to the paragraph headed “Sub-contracting” in this section.

CERTIFICATIONS AND AWARDS

In recognition of our commitment to quality services, socially responsibilities and employee development and well-being, we have received a number of major awards and recognitions during our operating history. Below is a summary of our recent awards:

<u>Certification/award</u>	<u>Date of grant</u>	<u>Nature</u>	<u>Awarding organisation or authority</u>
ISO 9001:2015	August 2019	Certification of quality management system	BSI
Hong Kong Professional Building Inspectors Academy Awards 2018	March 2019	Recognition of our doors and the relevant installation services in two residential projects, Mount Pavilia and Artisan House, with NW Group	Hong Kong Professional Building Inspection Academy
Social Capital Builder Logo Award	December 2018	Recognition of our contribution to the development of social capital	Labour and Welfare Bureau
The 9th Hong Kong Outstanding Corporate Citizenship Logo (Enterprise & Volunteer Category)	December 2018	Recognition of our contribution to social responsibility	Hong Kong Productivity Council
CSR Recognition Scheme Caring Certificate (Enterprise Group)	September 2018	Recognition of our commitment to adopt corporate social responsibility practices	Federation of Hong Kong Industries

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<u>Certification/award</u>	<u>Date of grant</u>	<u>Nature</u>	<u>Awarding organisation or authority</u>
ERB Manpower Developer Award	May 2018	Recognition of our achievements in manpower training and development	Employees Retraining Board
Hong Kong Q-Mark Service Certificate	December 2017	Certification of meeting the prescribed Hong Kong Q-Mark Service Standard	The Hong Kong Q-Mark Council, Federation of Hong Kong Industries
HSBC Living Business Awards 2017 (Caring for People Gold Award)	2017	Recognition of our commitment to employee caring	HSBC
Most Valuable Companies in Hong Kong 2018 (The Trophy of Excellence)	November 2017	Recognition of our quality services	Mediazone

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Share Offer and the Capitalisation Issue, Mr. Ng will, through Fate Investment, be interested in 75% of the issued shares of our Company, without taking into account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, and hence Fate Investment and Mr. Ng are our Controlling Shareholders within the meaning of the Listing Rules.

Fate Investment was incorporated in the BVI on 10 July 2019 and is an investment holding company with interest in our Company. For the background of Mr. Ng, please refer to the section headed “Directors and senior management” in this prospectus for more details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are of the view that our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

Management independence

Our Group’s management and operational decisions are made by our Board and a team of senior management. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Although one of our Controlling Shareholders, Mr. Ng, will be our executive director and retain a controlling interest in our Company after the Listing, we consider that our Board and team of management will function independently because:

- (i) each of our Directors is aware of his/her fiduciary duties as a director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interest;
- (ii) 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 associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (iii) three members of our Board are independent non-executive Directors who will bring independent judgment to the decision making process of our Board to protect the interests of our Shareholders; and
- (iv) our senior management members are independent and possess in-depth experience and understanding of the industry we are engaged in.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial independence

During the Track Record Period, our Group had certain amounts due from Mr. Ng, a Controlling Shareholder, and his associates, details of which are set out in Notes 26 and 27 to the Accountant's Report set out in Appendix I to this prospectus. All such amounts will be fully settled before Listing.

During the Track Record Period, our Group had obtained certain banking facilities which were secured by, among others, personal and/or corporate guarantees of Mr. Ng and/or his associates and/or collaterals offered by Mr. Ng and/or his associates, details of which are set out in Note 24 to the Accountant's Report set out in Appendix I to this prospectus. Our Directors confirmed that confirmations have been obtained from the relevant banks and that the relevant collaterals will be released, and the relevant guarantees will be replaced by corporate guarantee to be provided by our Company upon Listing.

During the Track Record Period, directors of Success Base Engineering, which includes Mr. Ng and his associates, were occasionally required to provide guarantees to the insurance companies as part of the consideration for the insurance companies to issue surety bonds in favour of our customers to ensure our due performance. Our Directors confirmed that confirmations have been obtained from the relevant insurance companies and that these guarantees will be released or replaced by corporate guarantees to be provided by our Company upon Listing.

Our Group has independent financial and accounting systems and makes financial decisions according to our own business needs. In view of our Group's internal resources and the estimated proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders or their respective close associates. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

Operational independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective as:

- (a) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities;
- (b) our Group has not shared our operational resources, such as customers, marketing, sale and general administration resources with our Controlling Shareholders and/or their associates;
- (c) our Controlling Shareholders have no interest in any of our five largest customers, suppliers, sub-contractors or other business partners; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) the transactions between our Group and Success Land, Mr. Ng and Ms. Zhao, details of which are set out in the paragraph headed “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements” in this prospectus, for rental of directors’ quarters and staff’s vacation quarters, are on normal commercial terms and the relevant properties do not form part of our operational facilities and can be replaced by other comparable rental properties in the market where required. While Mr. Ng had provided personal guarantee to the landlord (an Independent Third Party) for the benefit of Success Base Engineering as required under the relevant tenancy agreement for the leasing our office, as further disclosed in the paragraph headed “Connected transactions — Fully exempt continuing connected transactions — Mr. Ng’s personal guarantee on Office Tenancy Agreement”, our Directors do not consider there to be any material reliance on Mr. Ng in this regard as the personal guarantee by Mr. Ng was provided on normal commercial terms, the relevant tenancy agreement would expire in January 2021 and we will not enter into any tenancy agreements which require guarantee from Mr. Ng after the expiry of the relevant tenancy agreement.

Save as disclosed in the paragraph headed “Connected transactions — Fully exempt continuing connected transactions” in this prospectus, we do not have any other continuing connected transactions with our Controlling Shareholders.

Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions, including internal control, financial and accounting management, invoicing and billing, human resources and information technology.

COMPANIES OWNED BY A CONTROLLING SHAREHOLDER BUT NOT INCLUDED IN OUR GROUP

During the Track Record Period and up to the Latest Practicable Date, Mr. Ng owned as to:

- (1) 100% interests (either directly or indirectly through his wholly-owned company) in Success Land, Fullmax, Nice Dragon, One Production and One Studio and Success One Holding Limited (“**Success One**”), all being companies incorporated under the laws of Hong Kong with limited liability, and New Path Ventures Limited (“**New Path**”) and Sky Range which are companies incorporated under the laws of Samoa with limited liability, all being companies with business activities;
- (2) 100% interests (either directly or indirectly through his wholly-owned company) in One 1.0 Company Limited, One 2.0 Company Limited, One 3.0 Company Limited, One 4.0 Company Limited, One 5.0 Company Limited, Oodles Holding Limited, Oodles Intelligence Limited, Oodles Limited, Oodles Technology Limited, and One Construction & Engineering Company Limited (“**One Construction**”), all being companies incorporated under the laws of Hong Kong with limited liability, and Success Base Engineering (Macau) Limited and Success Base Engineering (International) Limited which are companies incorporated under the laws of Macau with limited liability, all being companies with no material business activities;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (3) 90% interests (remaining interests were owned by an Independent Third Party namely Metallix Pte Limited) indirectly through One Production in One Metallix Company Limited (“**One Metallix**”), a company incorporated under the laws of Hong Kong with limited liability with no material business activities; and
- (4) 100% interests directly in Success Base Group Holding (which held 2,499,000 Share in Success Base Engineering at the beginning of the Track Record Period until transferring those shares to Team World as part of the Reorganisation, and it did not have any other investment or engage in any business afterwards and up to the Latest Practicable Date).

During the Track Record Period and up to the Latest Practicable Date, Mr. Ng was a member of a company limited by guarantee in Hong Kong, Hong Kong Decoration & Engineering Association Limited (“**Hong Kong Decoration & Engineering**”, with Fullmax, New Path, Nice Dragon, One Production, One Studio, Sky Range, Success Land, Success One, collectively the “**Other Companies**”).

To their best knowledge and belief, our Directors confirm that all the above companies did not have any record of material non-compliances, claims, litigations or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date. Save as disclosed in this section, none of the above companies have any overlapping customers and/or suppliers with our Group during the Track Record Period. Besides, none of the above companies experienced losses during the Track Record Period that would have a material impact to the financial results of our Group if they were included in our Group.

Delineation of Business

Mr. Ng considers that our Group and the Other Companies have distinctively different focuses as:

1. During the Track Record Period and up to the Latest Practicable Date, New Path and Success One principally engaged in investment-holding. New Path did not have any other investment or engage in any business apart from holding 100% interests in One Construction. Success One did not have any other investment or engage in any business apart from holding 100% interests in Nice Dragon, One Production, One Studio, Sky Range and Success Land.
2. During the Track Record Period and up to the Latest Practicable Date, Nice Dragon, One Studio, Sky Range, Success Land and Fullmax principally engaged in property-holding. During the Track Record Period, Success Land has leased property and carpark space to our Group as Directors’ quarters. We expect to continue to rent our Directors’ quarters from Success Land. Please refer to the paragraph headed “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Success Land” in this prospectus for details. During the Track Record Period, we provided fitting-out services to Sky Range on an arm’s length basis and on normal commercial terms. We were engaged for the project in October 2018. The relevant project was completed on 31 December 2019. The total contract sum of such project was approximately HK\$9.0 million. Our revenue attributable to the project for the year ended 31 December 2018 and 2019 were approximately HK\$3.7 million and HK\$5.4 million, respectively. Our gross profits attributable to the project for the year ended 31 December 2018 and 2019 were approximately HK\$0.3 million and HK\$0.5 million, respectively. Our Directors confirm that the gross profit margin of such project is similar to those of our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Group's other projects of similar scale and complexity. Save as disclosed in the paragraph headed "Connected transactions — Fully exempt continuing connected transactions" in this prospectus, there are no other transactions that will constitute continuing connected transaction of our Group upon Listing for the purpose of Chapter 14A of the Listing Rules.

3. During the Track Record Period and up to the Latest Practicable Date, Hong Kong Decoration & Engineering is a company limited by guarantee in Hong Kong, whose principal activities include unifying the stakeholders in the fitting-out industry, promoting the professional image, provision of quality services and collaboration for better development of the fitting-out industry, and providing support and passing on skills to fellow workers, as a whole with no aims for profits.
4. During the Track Record Period and up to the Latest Practicable Date, One Production principally engaged in the trading of loose furniture of standard designs on customers' request. It did not provide any fitting-out services or repair and maintenance services. The business of One Production is considered to be different from our Group as the doors, furniture and accessories sourced by our Group as part of our fitting-out services are tailor-made according to the specifications of our customers. One Production had provided loose furniture of standard designs to SHK Group during the Track Record Period. Such loose furniture was not used for our fitting-out services or repair and maintenance services provided to SHK Group.

One Metallix was set up subsequent to the Track Record Period. According to the best knowledge of our Directors as at the Latest Practicable Date, One Metallix will engage in the business of trading of paints, which is considered as substantially different from the operating business of our Group, and our Group did not intend to source such paints from One Metallix.

Our Directors, having considered the above, are of the view that there is no direct or indirect competition between the Other Companies and that of our Group.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders has confirmed that neither he/it nor any of their respective associates (excluding our Group) is currently interested, involved or engaged, or is likely to be interested, involved or engaged, directly or indirectly, in any business, which competes or is likely to compete, directly or indirectly with the business of our Group and would require disclosure under Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

Prior to the Listing, we entered into a number of related party transactions, details of which are set out in Note 28 to the Accountant's Report of our Company set out in Appendix I to this prospectus.

Following the Listing, we will continue to carry out the following transactions with the following parties and such transactions will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules. Details of these transactions are set out in this section below.

TRANSACTIONS ENTERED INTO BEFORE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into the following transactions with parties which will, upon Listing, become our connected persons. The transactions were entered into before Listing and are accounted for as one-off in nature under HKFRS 16. If these transactions were entered into after Listing, such transactions would have constituted connected transactions for our Group.

Tenancy Agreements

Success Land

Success Land is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of property holding. As at the Latest Practicable Date, Success Land is directly and beneficially wholly owned by Mr. Ng, an executive Director and a Controlling Shareholder, hence Success Land is an associate of Mr. Ng, and a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.

A tenancy agreement dated 28 November 2019 (the "**Flat E Tenancy Agreement**") was entered into between Success Land as landlord and Success Base Engineering as tenant, under which Success Land agreed to lease a property located at Flat E, 10/F, Block 20, Tropicana 7, Dynasty Heights, 2 Yin Ping Road, Beacon Hill, Kowloon, Hong Kong and car parking space No. 187 with the gross floor area of the property being approximately 1,926.8 square feet, to Success Base Engineering, for a three-year term commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) as Directors' quarters. Pursuant to the Flat E Tenancy Agreement, the monthly rental payable to Success Land shall be in the sum of HK\$50,000 (exclusive of government rent and rates and management fees which are payable by Success Base Engineering). The monthly rental under the Flat E Tenancy Agreement was determined on an arm's length basis between Success Land and Success Base Engineering with regard to the prevailing market rates. Since 1 January 2018, our Group has been leasing the abovementioned property and carpark space from Success Land for use as Directors' quarters for the accommodation and car-parking of Mr. Ng and Ms. Zhao. The aggregate amounts of rent paid by Success Base Engineering to Success Land for the years ended 31 December 2018 and 2019 amounted to HK\$600,000 and HK\$600,000, respectively. The value of the right-of-use asset created in relation to the Flat E Tenancy Agreement was approximately HK\$2.8 million as at the commencement date of the Flat E Tenancy Agreement.

CONNECTED TRANSACTIONS

Mr. Ng

Mr. Ng is our executive Director and a Controlling Shareholder and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.

A tenancy agreement dated 28 November 2019 (the “**Flat F Tenancy Agreement**”) was entered into between Mr. Ng as landlord and Success Base Engineering as tenant, under which Mr. Ng agreed to lease a property located at Flat F, 10/F, Block 20, Tropicana 7, Dynasty Heights, 2 Yin Ping Road, Beacon Hill, Kowloon, Hong Kong and car parking space No. 29 with the gross floor area of the property being approximately 1,926.8 square feet, to Success Base Engineering, for a three-year term commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) as Directors’ quarters. Pursuant to the Flat F Tenancy Agreement, the monthly rental payable to Mr. Ng shall be in the sum of HK\$50,000 (exclusive of government rent and rates and management fees which are payable by Success Base Engineering). The monthly rental under the Flat F Tenancy Agreement was determined on an arm’s length basis between Mr. Ng and Success Base Engineering with regard to the prevailing market rates. Since 1 January 2018, our Group has been leasing the abovementioned property and carpark space from Mr. Ng for use as our Directors’ quarters for the accommodation and car-parking of Mr. Ng and Ms. Zhao. The aggregate amounts of rent paid by Success Base Engineering to Mr. Ng for the years ended 31 December 2018 and 2019 amounted to HK\$600,000 and HK\$600,000, respectively. The value of the right-of-use asset created in relation to the Flat F Tenancy Agreement was approximately HK\$2.8 million as at the commencement date of the Flat F Tenancy Agreement.

Ms. Zhao

Ms. Zhao is our executive Director and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.

A tenancy agreement dated 28 November 2019 (the “**Marina Cove Tenancy Agreement**”), was entered into between Ms. Zhao as landlord and Success Base Engineering as tenant, under which Ms. Zhao agreed to lease a property located at House J4 of Stage IV, Marina Cove, 380 Hiram’s Highway, Hebe Haven, Sai Kung, New Territories, Hong Kong with the gross floor area of the property being approximately 1,372.4 square feet, to Success Base Engineering, for a three-year term commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive). Pursuant to the Marina Cove Tenancy Agreement, the monthly rental payable to Ms. Zhao shall be in the sum of HK\$75,000 (exclusive of government rent and rates and management fees which are payable by Success Base Engineering). The monthly rental under the Marina Cove Tenancy Agreement was determined on an arm’s length basis between Ms. Zhao and Success Base Engineering with regard to the prevailing market rates. Since 1 January 2018, our Group has been leasing the abovementioned property from Ms. Zhao for use as staff’s vacation quarters. The aggregate amounts of rent paid by Success Base Engineering to Ms. Zhao for the years ended 31 December 2018 and 2019 amounted to HK\$900,000 and HK\$900,000, respectively. The value of the right-of-use asset created in relation to the Marina Cove Tenancy Agreement was approximately HK\$4.2 million as at the commencement date of the Marina Cove Tenancy Agreement.

The above properties leased by our Group from Success Land, Mr. Ng and Ms. Zhao (the “**Leased Properties**”) have been occupied as Directors’ quarters and staff’s vacation quarters of our Group as part of the staff’s benefit.

CONNECTED TRANSACTIONS

Our Group has adopted HKFRS 16, by using the full retrospective approach with which the relevant accounting policies have been consistently applied throughout the Track Record Period. Under HKFRS 16, the leases under the Flat E Tenancy Agreement, the Flat F Tenancy Agreement and the Marina Cove Tenancy Agreement (together, the “**Tenancy Agreements**”) are regarded as an acquisition of assets by us. Given that the Tenancy Agreements were entered into prior to Listing and the transactions thereunder are accounted for as one-off in nature under HKFRS 16, the transactions (including further rental payments to be made by us pursuant to the terms of the Tenancy Agreements) will not be classified as a notifiable transaction under Chapter 14 of the Listing Rules or connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, and will not be subject to any of the reporting, announcement, circular and independent Shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules. In the event of any material changes to the terms and conditions of the Tenancy Agreements, we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) in respect of such changes as and when appropriate, including, where required, seeking independent Shareholders’ approval prior to effecting such changes. It is expected that our Group will continue to lease the Leased Properties after the Listing. If we renew the Tenancy Agreements with the respective connected persons after Listing, we shall comply with Chapters 14 and 14A of the Listing Rules (as the case may be) as and when appropriate.

An independent valuer has conducted a valuation of fair rent of the Leased Properties. The Sole Sponsor has reviewed the fair rent opinion prepared by the independent property valuer on the valuation of fair rent of the Leased Properties, the Tenancy Agreements, information and historical figures provided by our Group. According to the fair rent opinion, the terms of the Tenancy Agreements are fair and reasonable and on normal commercial terms. The rental payment thereunder is comparative to the prevailing market rate for comparable properties as at the effective date of respective leaves. Based on the above, the Sole Sponsor is of the view that the transactions contemplated under the Tenancy Agreements are on normal commercial terms, and are fair and reasonable and in the interests of our Company’s shareholders as a whole.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

Mr. Ng’s personal guarantee on Office Tenancy Agreement

Success Base Engineering (as tenant) entered into a tenancy agreement dated 11 January 2018 (the “**Office Tenancy Agreement**”) with an Independent Third Party (as landlord) for the leasing of the premises situated at Flat A&B, 3/F, Yin Da Commercial Building, 181 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for a period of three years commencing from 16 January 2018 to 15 January 2021 as our office. Please refer to the paragraph headed “Business — Properties” for further information.

CONNECTED TRANSACTIONS

When the Office Tenancy Agreement was entered into, to secure and guarantee the due compliance and performance of all terms and conditions to be complied with and performed by Success Base Engineering under the Office Tenancy Agreement, Mr. Ng had executed a deed of guarantee on the same date to provide personal guarantee to the landlord. The amount secured by the personal guarantee shall be equivalent to our Group's outstanding rent under the Office Tenancy Agreement for the remaining term of lease from July 2020 to January 2021. Pursuant to the Office Tenancy Agreement, the monthly rent shall be HK\$151,900, the estimated amount secured by Mr. Ng's personal guarantee amounted to approximately HK\$0.9 million. We have requested the landlord to replace the personal guarantee provided by Mr. Ng by a corporate guarantee to be provided by our Company but such request is still pending as at the Latest Practicable Date.

No consideration has been paid by us to Mr. Ng for his provision of the personal guarantee under the Office Tenancy Agreement for the benefit of our Group and no counter guarantee, indemnity or security over the assets of our Group has been given by our Group to Mr. Ng in this connection.

Our Directors confirm that, save for exceptional circumstances where personal guarantee must be provided, we will not allow any connected persons of our Company to provide any personal guarantee when renewing any tenancy agreements or entering into any new tenancy agreements after the Listing and we will not enter into any tenancy agreements which require guarantee from Mr. Ng, one of our Controlling Shareholders, after the expiry of the Office Tenancy Agreement in January 2021.

Our Directors considered that the personal guarantee provides by Mr. Ng for the benefit of our Group has been provided on normal or better commercial terms to our Company. Since no counter guarantee, indemnity or security over the assets of our Group have been granted in respect of the personal guarantee, the above transaction will be regarded as exempt continuing connected transaction of our Group under Rule 14A.90 of the Listing Rules, which would be exempt from the reporting, announcement, circular, annual review and independent Shareholders' approval requirements.

Tax Services Agreement

Anssen is a company incorporated in Hong Kong with limited liability and is principally engaged in the business of tax advisory. As at the Latest Practicable Date, Anssen is directly and beneficially wholly owned by Mr. Chan, a non-executive Director, hence Anssen is an associate of Mr. Chan, and a connected person of our Company under Rule 14A.12(1)(c) of the Listing Rules.

An engagement letter dated 10 December 2019 ("**Tax Services Agreement**") was entered into between Anssen and Success Base Engineering, under which Anssen is engaged to provide tax services to Success Base Engineering on Success Base Engineering's request for a period of three years commencing from 1 January 2020 to 31 December 2022. Since April 2017, our Group has been engaging Anssen for tax services. The aggregate amounts of fees paid by Success Base Engineering to Anssen for the year ended 31 December 2017, 2018 and 2019 amounted to approximately HK\$84,000, HK\$35,000 and HK\$54,000, respectively. We expect Anssen shall continue to be engaged by our Group in the same position upon and following the Listing. Our Directors estimate that the fees payable to Anssen shall not exceed HK\$100,000 for each of the three years ending 31 December 2022, as determined by our Directors with reference to the historical transaction amount payable to Anssen.

CONNECTED TRANSACTIONS

Our Directors considered the continuing connected transactions under into the Tax Services Agreement with Anssen as described above have been entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of our Shareholders as a whole.

Since each of the applicable percentage ratios (other than the profits ratio) for the transaction contemplated under the Tax Services Agreement with Anssen is less than 0.1%, the transaction stipulated under the Tax Services Agreement with Anssen constitutes a *de minimis* continuing connected transaction under Rule 14A.76 of the Listing Rules, which will be fully exempt from independent Shareholders' approval, annual review and all disclosure requirements applicable under Chapter 14A of the Listing Rules upon Listing.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The following table sets out the information in respect of our Directors and our senior management:

Directors

Name	Age	Position	Time of joining our Group	Date of appointment as Director of our Group	Principal responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Ng Chi Chiu (吳志超)	47	Chairman of our Board, chief executive officer and executive Director	November 2004	11 July 2019	Formulating business plan and engaging in major decision making and monitoring the overall operation of our Group	Spouse of Ms. Zhao
Ms. Zhao Haiyan Chloe (趙海燕)	40	Executive Director	July 2012	17 December 2019	Overseeing the financial, administrative and operational matters of our Group	Spouse of Mr. Ng
Non-executive Director						
Mr. Chan Ming Yim (陳銘嚴)	52	Non-executive Director	December 2019	17 December 2019	Providing professional opinion and judgment to our Board	Nil
Independent non-executive Directors						
Dr. Ho Chung Tai Raymond (何鍾泰)	81	Independent non-executive Director	June 2020	16 June 2020	Supervising and providing independent judgment to our Board	Nil
Mr. Yip Chun On (葉俊安)	44	Independent non-executive Director	June 2020	16 June 2020	Supervising and providing independent judgment to our Board	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of appointment as Director of our Group	Principal responsibilities	Relationship with other Director(s) and/or senior management
Prof. Chau Kwong Wing (鄒廣榮)	59	Independent non-executive Director	June 2020	16 June 2020	Supervising and providing independent judgment to our Board	Nil

Senior Management

Name	Age	Position	Time of joining our Group	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. Leung Man Chun (梁文俊)	43	Contract manager	June 2008	Monitoring the contract department of our Group	Nil
Mr. Choi Yuk Ming (蔡旭明)	48	Financial controller	December 2007	Accounting and finance management of our Group	Nil

DIRECTORS

Executive Directors

Mr. Ng Chi Chiu (吳志超), aged 47, is the chairman of our Board, the chief executive officer of our Company, an executive Director and one of our Controlling Shareholders. He was appointed as a Director on 11 July 2019 and was re-designated as an executive Director and appointed as the chairman of our Board and the chief executive officer of our Company on 17 December 2019. He is also the chairman of the Nomination Committee. He acquired Success Base Engineering in November 2004 and has been a director of Success Base Engineering since then. Mr. Ng has been a director of Team World since its establishment in July 2019. Mr. Ng is responsible for formulating business plan, engaging in major decision making and monitoring the overall operation of our Group. Mr. Ng is the spouse of Ms. Zhao, an executive Director.

Mr. Ng has over 28 years of experience in the fitting-out industry and project management. After finishing his secondary education, he entered the fitting-out industry by working in B.S.C. Interior Contract and Engineering Company Limited, a fitting-out contractor, from April 1991 to September 2001, and his last position held was assistant project manager. Mr. Ng then worked in New Portfolio Design & Engineering Company Limited, a fitting-out contractor, from June 2002 to December 2003 as a general manager responsible for managing fitting-out projects.

Mr. Ng completed his secondary education at Maria College in June 1990.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Zhao Haiyan Chloe (趙海燕), aged 40, was appointed as a Director and was re-designated as an executive Director on 17 December 2019. She joined our Group in July 2012 as an administration manager of Success Base Engineering and held such position till September 2017. Ms. Zhao has been a director of Success Base Engineering since January 2018. Ms. Zhao is responsible for overseeing the financial, administrative and operational matters of our Group. Ms. Zhao is the spouse of Mr. Ng, an executive Director and one of our Controlling Shareholders.

Ms. Zhao obtained a adult higher education certificate in art and design from the Shenzhen University in July 2005. She is a licensed individual insurance agent in Hong Kong.

Non-executive Director

Mr. Chan Ming Yim (陳銘嚴), aged 52, was appointed as a Director and was re-designated as a non-executive Director on 17 December 2019. Mr. Chan is responsible for providing professional opinion and judgment to our Board.

Mr. Chan is experienced in tax matters. Mr. Chan has been the managing director of Anssen, a tax advisory, since June 2009, and Anssen has been engaged to provide tax services to our Group since April 2017, and will continue to provide tax services to us upon Listing. Please refer to the paragraph headed “Connected transactions — Fully exempt continuing connected transactions — Tax Services Agreement” for more details.

Mr. Chan obtained a bachelor of business in accountancy from RMIT University in Melbourne, Australia in September 1993. He is a committee member of the Australian Chinese Association of Hong Kong from July 2018 to June 2020, was a member of the taxation committee of the Hong Kong General Chamber of Commerce from January 2019 to December 2019, was the deputy president, the chairperson of small and medium enterprises committee and a member of taxation committee and continuing professional development committee of CPA Australia, from January 2019 to December 2019. He is currently a member of the CPA Australia.

Independent non-executive Directors

Dr. Ho Chung Tai Raymond (何鍾泰), aged 81, was appointed as an independent non-executive Director on 16 June 2020. He is also a member of the Audit Committee and Remuneration Committee. Dr. Ho is responsible for supervising and providing independent judgment to our Board.

Dr. Ho has over 50 years of experience in civil, structural, environmental and geotechnical engineering industries and has directly managed a number of mega-sized engineering projects. Dr. Ho obtained a bachelor of science in engineering from the University of Hong Kong in November 1963 and a diploma for advanced studies in engineering and soil mechanics from the Victoria University of Manchester (currently known as the University of Manchester), United Kingdom, in July 1964. Dr. Ho received a degree of doctor of philosophy in civil engineering from the City University of London, United Kingdom, in June 1971, an honorary degree of doctor of business administration from the City University of Hong Kong in November 1999 and an honorary doctor of laws from the University of Manchester, United Kingdom, in September 2001.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Ho has been an independent non-executive director of Deson Development International Holdings Limited (stock code: 262) since December 1994, GCL-Poly Energy Holdings (stock code: 3800) since September 2007, Chinlink International Holdings Limited (stock code: 997) since December 2013, AP Rentals Holdings Limited (stock code: 1496) since March 2016 and Fu Shek Financial Holdings Limited (stock code: 2263) since January 2020, and was an independent non-executive director of China State Construction International Holdings Limited (stock code: 3311) from June 2005 to June 2019. Dr. Ho was a non-executive director and the chairman of the SCUD Group Limited (stock code: 1399) from September 2018 to June 2020. The shares of all the above companies are listed on the Main Board of the Stock Exchange. Despite Dr. Ho's concurrent role as an independent non-executive director of five other companies which are listed on the Main Board of the Stock Exchange, as he does not participate in the day-to-day management of these companies, our Directors are of the view, and the Sole Sponsor concurs, that Dr. Ho will be able to devote sufficient time to discharge his duties as an independent non-executive director of our Company.

Dr. Ho has also served as a professional advisor to the Office of the Ombudsman of Hong Kong since October 2015, a position in which he previously served from July 1995 to March 2013, and as the honorary chairman of the Safety advisory committee of the Guangdong Daya Bay Nuclear Plant. Dr. Ho was a board member of the Airport Authority Hong Kong from 2008 to 2014, the Hong Kong Deputy to the 10th and 11th National People's Congress of the PRC, a member of the HKSAR Commission on Strategic Development from 2007 to 2012, a member of the 1st, 2nd, 3rd and 4th Legislative Council (Engineering Functional Constituency) and the council chairman of the City University of Hong Kong from 1992 to 1994.

Dr. Ho was a director of the following companies which were solvent prior to their dissolutions. The details of such companies are as follows:

Name of Company	Principal business	Date of dissolution	Means of dissolution	Reasons for dissolution	Place of incorporation
Ho Poon Kow Investment Company Limited (何本教置業有限公司)	As executor of father's assets	17 December 2010	Deregistration <i>(Note 1)</i>	Cessation of business	Hong Kong
Capital China Timber Products Limited (華都木業製品有限公司)	Timber business	16 January 2004	Deregistration <i>(Note 1)</i>	The company has never commenced business	Hong Kong
Greater Beijing Expressways Limited	—	31 October 2000	—	Cessation of place of business in Hong Kong	Bermuda <i>(Note 2)</i>

DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Principal business	Date of dissolution	Means of dissolution	Reasons for dissolution	Place of incorporation
Ho Wang Shea Environmental Sciences Limited (會泰生環境科學有限公司)	Timber business	9 September 2005	Deregistration <i>(Note 1)</i>	Cessation of business	Hong Kong
Public Key Infrastructure Technologies Limited (會泰科技有限公司)	Infrastructure technologies	9 September 2005	Deregistration <i>(Note 1)</i>	Cessation of business	Hong Kong
Zhong Hua Association For The Advancement Of Real Estate And Construction Technology Limited (中華房地產建築業協進會有限公司)	Professional body	8 January 2010	Deregistration <i>(Note 1)</i>	The company has never commenced business	Hong Kong
Mouchel Ho Wang Limited	Consulting	24 March 2005	Deregistration <i>(Note 1)</i>	Cessation of business	Hong Kong

Notes:

1. “Deregistration”, in the context of Hong Kong law, refers to the process whereby 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 in pursuant to section 291AA of the Companies (Winding Up and Miscellaneous Provisions) 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.
2. Greater Beijing Expressways Limited was registered as a non-Hong Kong Company on 17 April 1997.

Dr. Ho confirmed that the above companies were solvent immediately prior to their dissolution and there is no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that no misconduct or misfeasance had been involved in the dissolution of the above companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yip Chun On (葉俊安), aged 44, was appointed as an independent non-executive Director on 16 June 2020. He is also the chairman of the Audit Committee and a member of Remuneration Committee and Nomination Committee. Mr. Yip is responsible for supervising and providing independent judgment to our Board.

Mr. Yip has over 20 years of experience in accounting and auditing. He worked as an auditor for Chan Chee Cheng & Co., a firm of certified public accountants, from August 1997 to March 2000. He then worked in Deloitte Touche Tohmatsu from March 2000 to November 2003 and his last position held was senior accountant II. From April 2004 to January 2005, Mr. Yip worked in CSC Securities (HK) Limited as an assistant manager in the investment banking department. From February 2005 to May 2005, Mr. Yip was employed by the Grant Thornton and worked as a supervisor in the assurance division. He was the group financial controller and deputy company secretary at Amco United Holding Limited (stock code: 630) (formerly known as Guojin Resources Holdings Limited and Jackin International Holdings Limited), from May 2005 to May 2010. From June 2010 to October 2015, he worked as an assistant financial controller in Fountain Set (Holdings) Limited (stock code: 420). Shares of both Amco United Holding Limited and Fountain Set (Holdings) Limited are listed on the Main Board of the Stock Exchange. Mr. Yip has been the managing director of AdviseOnAir to provide internal control, risk management review and consulting services since April 2016. Mr. Yip was assigned to facilitate Qualification Programme of Hong Kong Institute of Certified Public Accountants (“QP”) workshop classes from 2005 to 2019, to perform marking for QP examinations from 2005 to 2019 and to prepare script review reports for QP examinations from 2008 to 2018. He was a part-time lecturer in the School of Continuing and Professional Education, City University of Hong Kong from October 2008 to August 2019.

Mr. Yip obtained a bachelor of arts in accountancy from the Hong Kong Polytechnic University in November 1997. He was admitted as a member of the Association of Chartered Certified Accountants in November 2000, and has been an associate of the Hong Kong Society of Accountant (currently known as the Hong Kong Institute of Certified Public Accountants) since April 2001. He also completed the Licensing Examination for Securities and Futures Intermediaries held by Hong Kong Securities Institute for fundamentals of securities and futures regulation, financial markets and securities in April 2004.

Prof. Chau Kwong Wing (鄒廣榮), aged 59, was appointed as an independent non-executive Director on 16 June 2020. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Prof. Chau is responsible for supervising and providing independent judgment to our Board.

Prof. Chau has over 35 years of experience in real estate research and consultancy. He was employed by the University of Hong Kong as demonstrator in Department of Building from August 1984 to December 1986, assistant lecturer in the Department of Surveying from January 1987 to December 1988, lecturer in the Department of Surveying from January 1989 to October 1994, associate dean in the Faculty of Architecture from March 1991 to June 1996, senior lecturer in the Department of Real Estate and Construction from November 1994 to June 1998, associate dean in the Faculty of Architecture from November 1996 to December 1998, professor in the Department of Real Estate and Construction from July 1998 to October 2000, associate dean in the Faculty of Architecture from February 1999 to February 2002, Dean of Faculty of Architecture from February 2002 to February 2006 and Head of Department of Real Estate and Construction from October 2013 to October 2019. He has been a chair

DIRECTORS AND SENIOR MANAGEMENT

professor in the Department of Real Estate and Construction since November 2000. Prof. Chau has also served as guest professor of Tianjin University, guest professor of Tsinghua University, consulting professor of South China University of Technology and visiting professor of Chongqing University.

Prof. Chau was appointed by the Hong Kong government to serve as a member for the Appeal Tribunal Panel (Buildings) from December 2000 to November 2006, the Appeal Board Panel (Town Planning) from October 2006 to September 2012, the Geotechnical Engineers Registration Committee Panel from January 2008 to January 2012, the Home Purchase Allowance Appeals Committee Panel from July 2011 to July 2017, the Estate Agent Authority from November 2012 to October 2018, the Appeal Board Panel under the Urban Renewal Authority Ordinance from July 2013 to June 2019, the Land and Development Advisory Committee from July 2015 to June 2021, and the Task Force on Land Supply from September 2017 to February 2019.

Prof. Chau obtained a bachelor of science in building studies in November 1983, bachelor of building in November 1984 and doctor of philosophy in November 1991, all from the University of Hong Kong. He was elected a fellow of the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors in November 2001 and August 2002, respectively, and was admitted a fellow of the Chartered Institute of Building in October 2003. Prof. Chau was elected president of the Asian Real Estate Society, the Hong Kong Institute of Surveyors and the Chinese Research Institute of Construction Management from 1996 to 1997, from 2009 to 2010 and from 2014 to 2016, respectively.

Prof. Chau was a director of the following company which was solvent prior to its dissolution. The details of such company are as follows:

Name of Company	Principal business	Date of dissolution	Means of dissolution	Reasons for dissolution	Place of incorporation
Halefair Limited	Gallery investment trading consultancy	3 May 2013	Deregistration <i>(Note)</i>	Cessation of business	Hong Kong

Note: “Deregistration”, in the context of Hong Kong law, refers to the process whereby 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 in pursuant to section 291AA of the Companies (Winding Up and Miscellaneous Provisions) 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.

Prof. Chau confirmed that the above company was solvent immediately prior to its dissolution and there is no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that no misconduct or misfeasance had been involved in the dissolution of the above company.

DIRECTORS AND SENIOR MANAGEMENT

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

SENIOR MANAGEMENT

Mr. Leung Man Chun (梁文俊), aged 43, is the contract manager of our Group. He joined our Group in June 2008 and is mainly responsible for monitoring the contract department of our Group.

Mr. Leung has over 20 years of experience in the construction industry and project management. Prior to joining our Group, he worked as an assistant quantity surveyor for C.S. Toh & Sons & Associates, a construction cost consultant, from July 1998 to May 1999. He then worked in Pat Davie Limited, a fitting-out contractor, as an assistant quantity surveyor from May 1999 to June 2000. From August 2001 to October 2006, he worked in Decca Limited as a quantity surveyor.

Mr. Leung obtained a higher diploma in building technology and management in November 1998 and a bachelor of science in construction economics and management in December 2007, both from the Hong Kong Polytechnic University. Mr. Leung was elected as a professional member of the Royal Institution of Chartered Surveyors in October 2016, and was admitted as a member of the Australian Institute of Building from July 2017 to March 2018.

Mr. Choi Yuk Ming (蔡旭明), aged 48, is the financial controller of our Group. He joined our Group in December 2007 and is mainly responsible for accounting and finance management of our Group.

Mr. Choi has over 20 years of experience in accounting. Prior to joining our Group, he worked as a senior accounts clerk in BB Telecom Limited from August 1996 to July 1997. He was an accounting officer in C.A. Pacific Forex Limited from August 1997 to April 1998. From May 1998 to October 2004, Mr. Choi worked in Philips Electronics Hong Kong Limited and his last position held was assistant accountant. From October 2005 to November 2007, he worked in Union Technology International (MCO) Company Limited and his last position held was accounting manager. He was a director of Hong Kong Decoration & Engineering Association Limited, a company limited by guarantee that engages in promoting the fitting-out industry in Hong Kong, from March 2019 to August 2019.

Mr. Choi obtained a bachelor of science in finance from the City University of Hong Kong in December 1996. He was admitted as a member and a fellow of the Association of Chartered Certified Accountants in May 2003 and May 2008, respectively, and has been a member of the Hong Kong Institute of Certified Public Accountants since January 2005.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Choi was a director of the following company which was solvent prior to its dissolution. The details of such company are as follows:

Name of Company	Principal business	Date of dissolution	Means of dissolution	Reasons for dissolution	Place of incorporation
Yek Construction Limited	Construction	30 April 2010	Striking-off <i>(Note)</i>	Inactive	Hong Kong

Note: “Striking off”, in the context of Hong Kong law, 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.

Mr. Choi confirmed that the above company was solvent immediately prior to its dissolution and there is no wrongful act on his part leading to the dissolution and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, and that no misconduct or misfeasance had been involved in the dissolution of the above company.

Each of our senior management did not hold any other directorship in listed public companies in the three years prior to the date of this prospectus.

COMPANY SECRETARY

Mr. Shum Hoi Luen (沈凱聯), aged 45, was appointed as our company secretary on 17 December 2019 and is responsible for our secretarial affairs.

Mr. Shum has over 20 years of experience in accounting and auditing and over 10 years of experience in company secretarial affairs. Mr. Shum is currently the financial controller and company secretary of Infinity Development Holdings Company Limited (previously known as Infinity Chemical Holdings Company Limited) (stock code: 640), a company listed on the Main Board of the Stock Exchange, responsible for overseeing its finance and accounting functions and corporate finance and compliance matters.

Mr. Shum obtained a bachelor of arts in accountancy from the Hong Kong Polytechnic University in November 1997. He was admitted a fellow of the Association of Chartered Certified Accountants in November 2006 and that of The Hong Kong Institute of Chartered Secretaries in February 2013, and was elected fellow of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in February 2013. He has been a fellow of the Hong Kong Institute of Certified Public Accountants since March 2013. Mr. Shum has been a professional member of Hong Kong Institute of Human Resource Management since May 2013. He was admitted an associate of the Taxation Institute of Hong Kong in September 2010, and is currently registered as a certified tax adviser with the same institution.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 16 June 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.3 and D.3 of the Corporate Governance Code. The primary duties of our Audit Committee include, among others, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, overseeing the audit process, developing and reviewing our accounting policies and practices and performing other duties and responsibilities as assigned by our Board. Our Audit Committee comprises three independent non-executive Directors, namely Mr. Yip Chun On, Dr. Ho Chung Tai Raymond and Prof. Chau Kwong Wing. Mr. Yip Chun On is the chairman of our Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 16 June 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The primary duties of the Remuneration Committee include making recommendations to the Board on our policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. Our Remuneration Committee comprises three independent non-executive Directors, namely Prof. Chau Kwong Wing, Mr. Yip Chun On and Dr. Ho Chung Tai Raymond. Prof. Chau Kwong Wing is the chairman of our Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 16 June 2020 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The primary duties of the Nomination Committee include, among others, reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board, assessing the independence of independent non-executive Directors, making recommendations to our Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, and implementing and reviewing our board diversity policy (the "**Board Diversity Policy**"). Our Nomination Committee comprises an executive Director, namely Mr. Ng Chi Chiu and two independent non-executive Directors, namely Prof. Chau Kwong Wing and Mr. Yip Chun On. Mr. Ng Chi Chiu is the chairman of our Nomination Committee.

BOARD DIVERSITY POLICY

Our Board has adopted the Board Diversity Policy which sets out the approach to achieve and maintain diversity on our Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the Corporate Governance Code. After Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Company complies or intends to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules, save for Code A.2.1 of Appendix 14 to the Listing Rules which requires the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of our Group's operations, and Mr. Ng's in-depth knowledge and experience in the industry and familiarity with the operations of our Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of our Group and that it is in the best interest of our Group to have Mr. Ng taking up both roles. As such, the roles of the chairman and chief executive officer of our Group are not being separated pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code in each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports after the Listing.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of salaries, fees, allowances, discretionary bonuses and benefit in kind, contributions to retirement benefit schemes, pension and other benefits. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The total compensation paid to our Directors for the years ended 31 December 2017, 2018 and 2019 was approximately HK\$1.9 million, HK\$9.4 million and HK\$8.3 million, respectively. Under the arrangement currently in force, we estimate the total compensation (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits), to be paid or accrued to our Directors for the year ending 31 December 2020 to be approximately HK\$9.6 million.

The aggregate compensation (including salaries, Directors fees, allowances, discretionary bonuses, benefit in kind, contributions to retirement benefit schemes, pension and other benefits) paid to our five highest paid individuals during the years ended 31 December 2017, 2018 and 2019 was approximately HK\$5.7 million, HK\$12.8 million and HK\$12.3 million, respectively.

We did not pay to our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended 31 December 2017, 2018 and 2019. Furthermore, none of our Directors or the five highest paid individuals waived any compensation for the same period.

Save as disclosed above, no other payments has been paid or is payable, in respect of the years ended 31 December 2017, 2018 and 2019 by us or any of our subsidiaries to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, our Group's remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Lego Corporate Finance Limited as our compliance adviser commencing from the Listing Date, who will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 13.10 of the Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

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You should read this section in conjunction with our financial information, including the notes, thereto, as set out in the Accountant's Report in Appendix I to this prospectus. The financial information has been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed "Risk factors" in this prospectus.

OVERVIEW

We are an established contractor based in Hong Kong with over 15 years of operating history providing fitting-out services and repair and maintenance services. According to the Frost & Sullivan Report, we ranked third among fitting-out contractors in Hong Kong market with a market share of approximately 1.2% in 2018 in terms of revenue. During the Track Record Period, we focused on providing fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong, and our customers were from the private sector and mainly include property developers and contractors.

For the years ended 31 December 2017, 2018 and 2019, our revenue was approximately HK\$552.7 million, HK\$768.1 million and HK\$879.4 million, respectively, and our profit and total comprehensive income for the year attributable to owners of our Company was approximately HK\$30.6 million, HK\$40.2 million and HK\$33.7 million, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our result of operations and financial conditions have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk factors" in this prospectus:

Availability of construction projects affected by government policies

According to the Frost & Sullivan Report, the future growth and level of profitability of the fitting-out industry in Hong Kong depend primarily upon the continued availability of construction projects. Our operations and management are currently located in Hong Kong. We provide fitting-out services mainly for residential properties and commercial properties. If the land supply in Hong Kong is reduced, the property developers may have less land for construction, the demand for fitting-out works in Hong Kong may deteriorate, which in turn adversely affects our operations and profitability.

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Majority of our Group's business is project-based

During the Track Record Period, the majority of our total revenue was derived from project-based works which are non-recurring in nature and our customers are under no obligation to award projects to us. During the Track Record Period, we secured new businesses mainly through tenders. For the years ended 31 December 2017, 2018 and 2019, our tender success rate was approximately 9.3%, 17.8% and 8.7%, respectively. For the years ended 31 December 2017, 2018 and 2019, we derived (i) approximately HK\$546.3 million, HK\$759.6 million and HK\$874.5 million, of revenue from the fitting-out service contracts; and (ii) approximately HK\$6.4 million, HK\$8.6 million and HK\$4.9 million of revenue from the repair and maintenance service contracts, respectively. Demand for our services may be adversely affected by external factors beyond our control, such as changes in our customers' preferences and general market conditions. We cannot assure you that we will be able to secure new contracts with existing or new customers in the future.

Furthermore, the number, type and scale of fitting-out projects awarded to us may vary significantly from period to period. Hence, our revenue and profit margin may vary from project to project. Our revenue and profit margin may also depend on other factors such as (i) terms of the contracts; (ii) project duration; (iii) how efficient the works are implemented; (iv) variation orders; (v) our ability to control the project cost and progress; (vi) nature of fitting-out works; (vii) labour resources on the market; and (viii) general market conditions. As such, we cannot assure you that our future projects may continue to be profitable and our revenue and profit margin may fluctuate from time to time.

Inaccurate estimation of project duration and costs

Our fitting-out contracts are usually awarded through competitive tendering process. We have to estimate the operation time and costs in order to determine the tender price. During the Track Record Period, our revenue was generally derived from fixed-price contracts. During the actual implementation of the project, which usually takes months or years to complete, we cannot guarantee that the actual operation time and costs would not exceed our estimation. The time taken and the costs may be adversely affected by many factors, including (i) delays by our suppliers in delivering the materials; (ii) delays or defects in the work provided by our sub-contractors; (iii) departure of our key personnel; (iv) disputes with our customers or suppliers; (v) disputes with other parties involved in the projects; (vi) changes in market conditions; (vii) cost escalation of materials and labour over the term of a contract; (viii) additional variations (such as changes to the service plans requested by our customers or requirements of technical services); and (ix) other unforeseen problems and circumstances. Any of these can cause delays in completion or cost overruns by us. As a whole, if our estimates of the overall risks, revenue or costs prove inaccurate, or circumstances change, we may experience lower profitability or even make losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Escalation of costs including labour and material costs

According to the Frost & Sullivan Report, one of the major threats in the fitting-out industry in Hong Kong is labour shortage which is attributable mainly to the regional aging problem and the lack of skilled talent. We generally compete with similar businesses for manpower. Due to the labour shortage, we have to retain our labour by increasing the wages. According to the Frost & Sullivan Report, the average daily wages of workers in the fitting-out industry in Hong Kong increased from approximately

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HK\$1,091.5 per day in 2014 to approximately HK\$1,317.4 per day in 2019, representing a CAGR of approximately 3.8%. It is expected that the average daily wages of workers in the fitting-out industry in Hong Kong will continue to grow at a CAGR of 2.0%, from 2020 to 2024. Accordingly, our sub-contracting charges including labour costs of our sub-contractors may escalate. We usually factor in the expected increase in the labour cost when we submit our tender. If labour costs in Hong Kong keep increasing beyond our expectation, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

According to the Frost & Sullivan Report, the average prices of most of the materials we applied in provision of fitting-out works have shown an increasing trend from 2014 to 2019 due to the strong demand from the construction industry in Hong Kong. If the costs of materials keep increasing, our costs may increase in the future, which could materially and adversely affect our business operations and financial conditions.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our sub-contracting fees and material costs (being the major components of our cost of services) on our profits before income tax during the Track Record Period. The hypothetical fluctuation rates for sub-contracting fees are set at 0.6% and 12.3%, which correspond to the approximate minimum and maximum percentage changes in the average daily wages of workers in fitting-out works industry in Hong Kong from 2014 to 2019 as stated in the Frost & Sullivan Report (see paragraph headed “Industry overview — Cost analysis — Labour cost” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis.

The hypothetical fluctuation rates for material costs are set at 0.1% and 11.5%, which correspond to the approximate minimum and maximum percentage changes in the average prices of plywood and steel plate (being the major types of materials we purchased) in fitting-out works in Hong Kong from 2014 to 2019 as stated in the Frost & Sullivan Report (see paragraph headed “Industry overview — Cost analysis — Raw material cost” in this prospectus) and are therefore considered reasonable for the purpose of this sensitivity analysis.

	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hypothetical fluctuations in our sub-contracting fees	-0.6%	-12.3%	+0.6%	+12.3%
Increase/(decrease) in profit before income tax <small>(Note)</small>				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2017	1,591	30,554	(1,591)	(30,554)
For the year ended 31 December 2018	2,262	43,451	(2,262)	(43,451)
For the year ended 31 December 2019	2,886	55,423	(2,886)	(55,423)

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	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hypothetical fluctuations in our material costs	-0.1%	-11.5%	+0.1%	+11.5%
Increase/(decrease) in profit before income tax				
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the year ended 31 December 2017	222	19,004	(222)	(19,004)
For the year ended 31 December 2018	331	28,323	(331)	(28,323)
For the year ended 31 December 2019	327	28,027	(327)	(28,027)

Note: Our profit before income tax was approximately HK\$36.5 million, HK\$47.8 million and HK\$41.8 million for years ended 31 December 2017, 2018 and 2019, respectively.

Collectability of contract assets and recoverability of our trade receivables

We are subject to the credit risks and our liquidity is dependent on our customers making prompt payments. As at 31 December 2017, 2018 and 2019, our trade receivables amounted to approximately HK\$39.3 million, HK\$33.2 million and HK\$131.1 million, and our contract assets amounted to approximately HK\$67.6 million, HK\$171.7 million and HK\$164.2 million, respectively. There is no assurance that we will be able to bill all or any part of contract assets for our services completed according to payment terms of the contracts, or that we will be able to recover all or any part of trade receivable from customers at all.

Further, our trade receivables turnover days were approximately 43.7 days, 17.2 days and 34.1 days for the years ended 31 December 2017, 2018 and 2019, respectively. Any difficulty in billing for the work completed or collecting a substantial portion of our trade receivables from our customers could materially and adversely affect our cash flows and financial position.

BASIS OF PRESENTATION AND PREPARATION

Please refer to Notes 1.3 and 2.1 of the Accountant's Report set out in Appendix I to this prospectus.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in Note 2 to the Accountant's Report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Further information regarding the key judgements made in applying our accounting policies are set forth in Note 4 to the Accountant's Report set out in Appendix I to this prospectus.

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Effects of certain new standards and amendments to HKFRS to our Group

The adoption of HKFRS 9 “Financial instruments” (“HKFRS 9”), HKFRS 15 “Revenue from contracts with customers” (“HKFRS 15”) and HKFRS 16 “Leases” (“HKFRS 16”)

Our consolidated financial information has been prepared based on our underlying financial statements, in which HKFRS 9, HKFRS 15 and HKFRS 16 have been adopted. We have applied HKFRS 9, HKFRS 15 and HKFRS 16 consistently since the beginning of, and throughout, the Track Record Period, such that our historical consolidated financial information prepared under HKFRS 9, HKFRS 15 and HKFRS 16 is comparable on a period-to-period basis. Our Directors consider that the effects of the application of HKFRS 9, HKFRS 15 and HKFRS 16 did not have significant impact on our financial position and performance during the Track Record Period as compared to the requirements of HKAS 11 “Construction contracts”, HKAS 39 “Financial instruments: recognition and measurement” and HKAS 17 “Leases”.

Revenue recognition

We measure revenue at the fair value of the consideration received or receivable for the services rendered in the ordinary course of our activities.

Our revenue from fitting-out services is recognised over time as our performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Our Group has applied the input method in recognising the revenue from fitting-out contracts over time by reference to our Group’s efforts or inputs to the satisfaction on a performance obligation relative to the total expected inputs to the satisfaction of the performance obligation.

For fitting-out contracts with fixed price, our Group recognises the revenue in accordance with the contract price on the basis of our Group’s efforts or inputs to the satisfaction of a performance obligation. Our Group considers the input method better depicts our Group’s performance in transferring control of services to our customers.

The input method is based on our Group’s efforts or inputs to the satisfaction of a performance obligation and calculated using our Group’s actual costs incurred to date (excluding those costs not fulfilling a contract) as a percentage of total budget cost to measure its progress of performance. In the case when the actual cost incurred has beyond our original budget due to the additional variation orders requested by the customers, our Group’s management would reassess the total budget cost needed for the whole project to ensure that the percentage up to date has reflected the actual progress for the project. Therefore, our Group would use the latest percentage for recognising revenue accordingly.

For fitting-out contracts that contain variable consideration such as variations in contract work, our Group estimates the amount of consideration to which it will be entitled using the most likely amount. The estimated amount of variable consideration is included in the fitting-out contract only to the extent that it is highly probable that such as inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

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Our Group recognises revenue according to the progress towards satisfaction of performance obligation of the individual contract of fitting-out works. The progress is determined by the aggregated cost for the individual performance obligation incurred at the end of each year during the Track Record Period compared with the estimated budgeted cost. Our management's estimation of the budgeted cost and the cost incurred to the date is primarily based on fitting-out contract budget and actual cost report prepared by our internal quantity surveyors, where applicable. Corresponding revenue from contract works is also estimated by management based on the progress and total contract sum which contains variable consideration as discussed above.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets out our consolidated statements of comprehensive income for the years ended 31 December 2017, 2018 and 2019, which was extracted from, and should be read in conjunction with the Accountant's Report in Appendix I to this prospectus:

Consolidated statements of comprehensive income

	For the year ended		
	31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	552,652	768,145	879,401
Cost of services	<u>(470,774)</u>	<u>(660,473)</u>	<u>(759,675)</u>
Gross profit	81,878	107,672	119,726
Other gains, net	685	284	452
Administrative expenses	(35,763)	(49,804)	(54,335)
Listing expenses	—	—	(9,016)
Impairment loss on trade receivables	<u>—</u>	<u>—</u>	<u>(950)</u>
Profit before finance income and costs and income tax expenses	46,800	58,152	55,877
Finance income	1,995	2,047	2,110
Finance costs	<u>(12,280)</u>	<u>(12,356)</u>	<u>(16,171)</u>
Profit before income tax	36,515	47,843	41,816
Income tax expense	<u>(5,882)</u>	<u>(7,674)</u>	<u>(8,141)</u>
Profit and total comprehensive income for the year attributable to owners of our Company	<u><u>30,633</u></u>	<u><u>40,169</u></u>	<u><u>33,675</u></u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The table below sets forth a breakdown of our revenue during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Fitting-out services	546,296	98.8	759,587	98.9	874,477	99.4
Repair and maintenance services	6,356	1.2	8,558	1.1	4,924	0.6
Total	552,652	100.0	768,145	100.0	879,401	100.0

During the Track Record Period, our Group's revenue was derived from the provision of fitting-out services and repair and maintenance services. For the years ended 31 December 2017, 2018 and 2019, we recorded revenue of approximately HK\$552.7 million, HK\$768.1 million and HK\$879.4 million, respectively, of which (i) approximately HK\$546.3 million, HK\$759.6 million and HK\$874.5 million of revenue was generated from providing fitting-out services, representing approximately 98.8%, 98.9% and 99.4% of our total revenue, respectively; and (ii) the remaining revenue of approximately HK\$6.4 million, HK\$8.5 million and HK\$4.9 million of revenue was generated from providing repair and maintenance services, representing approximately 1.2%, 1.1% and 0.6% of our total revenue, respectively.

The table below sets forth a breakdown of our revenue by property type during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	436,470	79.0	449,108	58.5	567,283	64.5
Commercial ^(Note)	116,182	21.0	319,037	41.5	312,118	35.5
Total	552,652	100.0	768,145	100.0	879,401	100.0

Note: The category "commercial" mainly includes retail shops, offices, shopping arcades, commercial clubhouses, hotels and service apartments.

For the years ended 31 December 2017, 2018 and 2019, we recorded revenue of (i) approximately HK\$436.5 million, HK\$449.1 million and HK\$567.3 million generated from providing fitting-out services and repair and maintenance services for residential properties, representing approximately 79.0%, 58.5% and 64.5% of our total revenue; and (ii) approximately HK\$116.2 million, HK\$319.0 million and HK\$312.1 million generated from providing fitting-out services and repair and maintenance services for commercial properties, representing approximately 21.0%, 41.5% and 35.5% of our total revenue, respectively.

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For detailed breakdowns of our revenue during the Track Record Period by customer type, range of revenue recognised, total contract sum and number of projects, please refer to the paragraphs headed “Business — Overview” and “Business — Projects” in this prospectus.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for the discussion of the change in the amount of our revenue during the Track Record Period.

Cost of services

The table below sets forth a breakdown of our cost of services during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sub-contracting fees	248,142	52.7	352,876	53.4	450,109	59.3
Material costs	164,577	35.0	245,283	37.1	242,719	32.0
Employee benefit expenses	51,548	10.9	55,725	8.4	56,993	7.5
Other costs	6,507	1.4	6,589	1.1	9,854	1.2
Total	470,774	100.0	660,473	100.0	759,675	100.0

Our cost of services during the Track Record Period comprised:

- (a) sub-contracting fees, which are the costs for engaging sub-contractors for carrying out fitting-out services and repair and maintenance services undertaken by us. For further details of the sub-contracted services, please refer to the paragraph headed “Business — Sub-contracting” in this prospectus;
- (b) material costs, which mainly represents the costs of materials used for performing fitting-out services and repair and maintenance services;
- (c) employee benefit expenses, which are wages, salaries, bonus and benefits provided to our staff who are directly involved in carrying out our fitting-out services and repair and maintenance services; and
- (d) other costs, which include various miscellaneous expenses such as transportation fee, consultancy fee, cleaning fee and insurance premiums for certain of our fitting-out services and repair and maintenance services projects.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our cost of services.

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Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit during the Track Record Period by services which is equivalent to the segment financial information as set out in the Accountant's Report in Appendix I to this prospectus and our gross profit margin by services type is calculated with respect to the segment results as set out in Appendix I.

	For the year ended 31 December					
	2017		2018		2019	
	Gross Gross profit margin <i>HK\$'000</i>	profit margin %	Gross Gross profit margin <i>HK\$'000</i>	profit margin %	Gross Gross profit margin <i>HK\$'000</i>	profit margin %
Fitting-out services	79,530	14.6	105,016	13.8	117,827	13.5
Repair and maintenance services	2,348	36.9	2,656	31.0	1,899	38.6
Gross profit/Gross profit margin	<u>81,878</u>	<u>14.8</u>	<u>107,672</u>	<u>14.0</u>	<u>119,726</u>	<u>13.6</u>

For the years ended 31 December 2017, 2018 and 2019, our total gross profit amounted to approximately HK\$81.9 million, HK\$107.7 million and HK\$119.7 million, respectively, of which (i) approximately HK\$79.5 million, HK\$105.0 million and HK\$117.8 million was generated from providing fitting-out services, representing approximately 97.1%, 97.5% and 98.4% of our total gross profit, respectively; and (ii) approximately HK\$2.3 million, HK\$2.7 million and HK\$1.9 million was generated from providing repair and maintenance services, representing approximately 2.9%, 2.5% and 1.6% of our total gross profit, respectively.

The gross profit margins of our fitting-out services were approximately 14.6%, 13.8% and 13.5%, and that of our repair and maintenance services were approximately 36.9%, 31.0% and 38.6%, for the years ended 31 December 2017, 2018 and 2019, respectively. The gross profit margins of our repair and maintenance services were generally higher as compared with that of our fitting-out services. This was because we generally incurred relatively less costs for the provision of repair and maintenance services as the work nature was relatively simpler and did not involve complicated technical issues or preparation of shop drawing, thus requiring less manpower. Given that the revenue recorded from our repair and maintenance services only constituted approximately 1.2%, 1.1% and 0.6% of our total revenue for the years ended 31 December 2017, 2018 and 2019, the contract sums of our repair and maintenance services were relatively immaterial, and our Directors are of the view that the fluctuations of our gross profit margin for our repair and maintenance services for the years ended 31 December 2017, 2018 and 2019 were not material.

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for a discussion of material fluctuations in our gross profit and gross profit margin.

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Other gains, net

The table below sets forth a breakdown of our other gains, net during the Track Record Period:

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain/(loss), net	316	(9)	(5)
Gains on changes in surrender values of investments in insurance contracts	369	293	457
Total	685	284	452

Our other gains, net during the Track Record Period mainly comprised gains on changes in surrender values of keyman life insurance contracts.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our gains, net.

Administrative and Listing expenses

The table below sets forth a breakdown of our administrative and Listing expenses during the Track Record Period:

	For the year ended 31 December					
	2017		2018		2019	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Depreciation on plant and equipment	245	0.7	1,275	2.6	2,736	4.3
Depreciation on right-of-use assets	3,197	8.9	4,050	8.1	1,976	3.1
Office expenses	1,999	5.6	2,920	5.9	2,380	3.8
Insurance	1,024	2.9	943	1.9	1,149	1.8
Consultancy fee	1,973	5.5	3,226	6.5	5,986	9.4
Legal and professional fee	719	2.0	703	1.4	1,873	3.0
Listing expenses	—	—	—	—	9,016	14.2
Employee benefit expenses (including directors’ emoluments)	20,980	58.7	29,646	59.5	31,789	50.2
Entertainment expenses	1,244	3.5	1,619	3.3	1,341	2.1
Transportation expenses	1,553	4.3	1,849	3.7	1,500	2.4
Other expenses	2,829	7.9	3,573	7.1	3,605	5.7
Total	35,763	100.0	49,804	100.0	63,351	100.0

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Our administrative and Listing expenses during the Track Record Period comprised:

- (a) depreciation on plant and equipment mainly includes depreciation of leasehold improvements, machinery, equipment and motor vehicles;
- (b) depreciation on right-of-use assets mainly represents the leased office properties of our Group;
- (c) loss of disposal on right-of-use of assets mainly represents the expenses in relation to the rental payment for the unexpired term of a disputed tenancy agreement;
- (d) termination of lease mainly represents the unpaid amount of rental due to the termination of the disputed tenancy agreement as mentioned in (d) above;
- (e) office expenses mainly represent the expenses incurred for office consumables;
- (f) insurance mainly represents insurance premiums for insurance policies that are not directly related to our fitting-out services and repair and maintenance services;
- (g) consultancy fee mainly represents the fee paid to the business developments consultants and information technology consultants. For further details on these consultants, please refer to the paragraphs headed “Business — Sales and marketing” and “Business — Research and development” in this prospectus;
- (h) legal and professional fee mainly represents the general legal and professional tax consultation fee;
- (i) Listing expenses mainly represent the expenses incurred in relation to the Listing;
- (j) employee benefit expenses (including directors’ emoluments) mainly represent the wages, salaries, bonus and benefits provided to our Directors and our administrative and back office staff not directly related to our fitting-out services and repair and maintenance services;
- (k) entertainment expenses mainly represent the costs in relation to marketing and relationship building with existing and potential customers;
- (l) transportation expenses mainly represent the travelling expenses incurred by our Directors and administrative staff, motor vehicle insurance, fuel and maintenance; and
- (m) other expenses mainly include donation, utilities expenses, short term lease expenses, bank service expenses, repair and maintenance and sundry expenses.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our administrative and Listing expenses.

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Finance income and finance costs

Finance income

The table below sets forth a breakdown of our finance income during the Track Record Period:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	18	40	62
Interest income from loans to our Director	296	381	446
Interest income from loans to related companies	<u>1,681</u>	<u>1,626</u>	<u>1,602</u>
Total	<u><u>1,995</u></u>	<u><u>2,047</u></u>	<u><u>2,110</u></u>

Our finance income during the Track Record Period represented bank interest income, interest income from loans to our Director and interest income from loans to related companies including One Studio and Sky Range, which are companies indirectly wholly-owned by Mr. Ng.

Finance costs

The table below sets forth a breakdown of our finance costs during the Track Record Period:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on borrowings	12,126	11,891	15,839
Interest elements of lease liabilities	<u>154</u>	<u>465</u>	<u>332</u>
Total	<u><u>12,280</u></u>	<u><u>12,356</u></u>	<u><u>16,171</u></u>

Our finance costs during the Track Record Period represented interest expenses on borrowings and interest elements of lease liabilities, details of which are disclosed in the paragraph headed “Indebtedness” in this section.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our finance income and finance costs.

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Income tax expense

Our income tax expense consists of current income tax and deferred income tax. The following table sets forth a breakdown of our income tax expenses and effective tax rate for the years indicated:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>36,515</u>	<u>47,843</u>	<u>41,816</u>
Current income tax	5,830	7,546	8,791
Deferred income tax	<u>52</u>	<u>128</u>	<u>(650)</u>
Income tax expense	<u>5,882</u>	<u>7,674</u>	<u>8,141</u>
Effective tax rate	<u>16.1%</u>	<u>16.0%</u>	<u>19.5%</u>

For the years ended 31 December 2017, 2018 and 2019, our Group incurred income tax expense of approximately HK\$5.9 million, HK\$7.7 million and HK\$8.1 million, respectively. Our effective tax rates, calculated as our income tax expense divided by our profit before income tax, were approximately 16.1%, 16.0% and 19.5%, for the years ended 31 December 2017, 2018 and 2019 respectively. The relatively higher effective tax rate for the year ended 31 December 2019 was mainly due to the recognition of Listing expenses, which was not tax deductible.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we are not subject to any material dispute or potential dispute with any tax authorities.

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for a discussion of material fluctuations in our income tax expense.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2018 compared with year ended 31 December 2019

Revenue

Our revenue increased by approximately HK\$111.3 million or 14.5% from approximately HK\$768.1 million for the year ended 31 December 2018 to approximately HK\$879.4 million for the year ended 31 December 2019. Such increase was mainly because:

1. There was an increase in the number of fitting-out services projects with revenue contribution of HK\$1.0 million to below \$10.0 million as well as HK\$10.0 million or above during the year ended 31 December 2019, as demonstrated in the below table:

	For the year ended 31 December	
	2018	2019
	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognised		
HK\$10.0 million or above	15	16
HK\$1.0 million to below HK\$10.0 million	14	17
Below HK\$1.0 million	18	17
Total	47	50

2. In particular, many of the fitting-out projects we secured from NW Group as property developer and SHK Group (which generally made payment around 30 days from our payment application) were in full swing during the year ended 31 December 2019 as compared to the corresponding period in 2018, contributing to the increase in progress billing and thus the increase in revenue. For instance, (i) project P2, a commercial project of NW Group in Tsim Sha Tsui, contributed revenue of approximately HK\$60.8 million for the year ended 31 December 2019 as compared to approximately HK\$49.7 million for the corresponding period in 2018; and (ii) project P10, a residential project of SHK Group in Tai Po, contributed revenue of approximately HK\$167.5 million for the year ended 31 December 2019 as compared to approximately HK\$5.3 million for the corresponding period in 2018 (Project reference number corresponds with the tables disclosed in the paragraphs headed “Business — Projects — Fitting-out projects — Completed projects” and “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus).

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Cost of services

Our cost of services increased by approximately HK\$99.2 million or 15.0% from approximately HK\$660.5 million for the year ended 31 December 2018 to approximately HK\$759.7 million for the year ended 31 December 2019. Such increase was higher than the increase in our revenue by approximately 0.5 percentage points (and thus resulted in our slightly lower gross profit margin for the year ended 31 December 2019). Such increase was primarily due to the increase in sub-contracting fees and material costs, and it was generally in line with the increase in our revenue for the year ended 31 December 2019.

Sub-contracting fees increased from approximately HK\$352.9 million for the year ended 31 December 2018 to approximately HK\$450.1 million for the year ended 31 December 2019. The increase is mainly due to our business growth in the fitting-out services on both commercial and residential properties, which required more labour and fitting-out materials procured by our sub-contractors.

Material costs remained relatively stable at approximately HK\$245.3 million for the year ended 31 December 2018 and approximately HK\$242.7 million for the year ended 31 December 2019.

Employee benefit expenses increased slightly from approximately HK\$55.7 million for the year ended 31 December 2018 to approximately HK\$57.0 million for the year ended 31 December 2019. The increase is mainly due to the increase in headcount of our project staff to cope with our business expansion and salary increment.

Gross profit and gross profit margin

Our total gross profit amounted to approximately HK\$107.7 million and approximately HK\$119.7 million for the years ended 31 December 2018 and 2019, respectively, representing an increase of approximately HK\$12.0 million or 11.2%. Such increase in total gross profit was primarily due to the increase in revenue from providing fitting-out services for projects with NW Group as property developer and SHK Group in particular as discussed above. Our total gross profit margin remained relatively stable at approximately 14.0% for the year ended 31 December 2018 and 13.6% for the year ended 31 December 2019.

Other gains, net

Our other gains, net increased by approximately HK\$0.2 million or 59.2% from approximately HK\$0.3 million for the year ended 31 December 2018 to approximately HK\$0.5 million for the year ended 31 December 2019. Such increase was primarily due to the increase in the gains on changes in surrender values of keyman life insurance contracts as our Group took out more keyman life insurance during the year.

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Administrative and Listing expenses

Our administrative and Listing expenses increased by approximately HK\$13.5 million or 27.2% from approximately HK\$49.8 million for the year ended 31 December 2018 to approximately HK\$63.4 million for the year ended 31 December 2019. Such increase was mainly attributable to (i) Listing expenses of approximately HK\$9.0 million incurred during the year ended 31 December 2019; (ii) an increase in consultancy fee from approximately HK\$3.2 million for the year ended 31 December 2018 to approximately HK\$6.0 million for the year ended 31 December 2019 primarily due to the increase in the consultancy fee incurred for (a) business developments from approximately HK\$2.2 million for the year ended 31 December 2018 to approximately HK\$2.9 million for the year ended 31 December 2019 which was generally in line with the increase in our revenue for the year ended 31 December 2019; and (b) information technology enhancement from approximately HK\$1.0 million for the year ended 31 December 2018 to approximately HK\$2.9 million for the year ended 31 December 2019 mainly due to the increase in consultancy fee incurred to our information technology consultants for developing three-dimensional laser scanning, and a virtual reality display system and a customised project operation system (which were in the development phase); and (iii) an increase in employee benefit expenses from approximately HK\$29.6 million for the year ended 31 December 2018 to approximately HK\$31.8 million for the year ended 31 December 2019 primarily due to the increase in salary for our administrative and back office staff.

Finance income and finance costs

Finance income

Our finance income remained relatively stable at approximately HK\$2.0 million for the year ended 31 December 2018 and approximately HK\$2.1 million for the year ended 31 December 2019.

Finance cost

Our finance costs increased by approximately HK\$3.8 million or 30.9% from approximately HK\$12.4 million for the year ended 31 December 2018 to approximately HK\$16.2 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in the drawdown from the bank borrowings from approximately HK\$700.8 million during the year ended 31 December 2018 to approximately HK\$1,087.7 million during the year ended 31 December 2019 as shown under “Cash flow from financing activities” in the Accountant’s Report in Appendix I to this prospectus, and the increase in the handling fees for banking facilities maintained from approximately HK\$2.3 million for the year ended 31 December 2018 to approximately HK\$3.5 million for the year ended 31 December 2019.

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Income tax expense

Our income tax expense increased by approximately HK\$0.5 million or 6.1% from approximately HK\$7.7 million for the year ended 31 December 2018 to approximately HK\$8.1 million for the year ended 31 December 2019. Such increase was mainly attributable to the increase in our profit before income tax from approximately HK\$47.8 million for the year ended 31 December 2018 to approximately HK\$41.8 million for the year ended 31 December 2019 as a result of all the aforesaid and in particular, the increase in revenue and gross profit as well as the Listing expenses which is not deductible for tax purposes.

Profit and total comprehensive income for the year attributable to owners of our Company

As a result of the foregoing, our profit and total comprehensive income for the year attributable to owners of our Company decreased by approximately HK\$6.5 million or 16.2% from approximately HK\$40.2 million for the year ended 31 December 2018 to approximately HK\$33.7 million for the year ended 31 December 2019.

Our net profit margin decreased from approximately 5.2% for the year ended 31 December 2018 to approximately 3.8% for the year ended 31 December 2019, which was mainly due to the recognition of the Listing expenses of approximately HK\$9.0 million incurred for the year ended 31 December 2019.

Year ended 31 December 2017 compared with year ended 31 December 2018

Revenue

Our revenue increased by approximately HK\$215.5 million or 39.0% from approximately HK\$552.7 million for the year ended 31 December 2017 to approximately HK\$768.1 million for the year ended 31 December 2018. Such increase was mainly because:

1. There was an increase in the number of fitting-out services projects with revenue contribution of HK\$1.0 million to below HK\$10.0 million as well as HK\$10.0 million or above during the year ended 31 December 2018, as demonstrated in the below table:

	For the year ended 31 December	
	2017	2018
	<i>Number of projects</i>	<i>Number of projects</i>
Revenue recognised		
HK\$10.0 million or above	14	15
HK\$1.0 million to below HK\$10.0 million	10	14
Below HK\$1.0 million	27	18
	51	47

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2. In particular, many of the fitting-out projects we secured from NW Group as property developer and SHK Group (which generally made payment around 30 days from our payment application) were in full swing during the year ended 31 December 2018, contributing to the increase in progress billing and thus the increase in revenue. For instance, (i) project P6, a commercial project of NW Group in Tsim Sha Tsui, contributed revenue of approximately HK\$149.2 million for the year ended 31 December 2018 as compared to approximately HK\$37.5 million for the corresponding period in 2017; (ii) project P8, a commercial project of NW Group in Kwun Tong, contributed revenue of approximately HK\$69.9 million for the year ended 31 December 2018 as compared to approximately HK\$0.9 million for the corresponding period in 2017; (iii) project P7, a residential project of SHK Group in Tseung Kwan O contributed revenue of approximately HK\$93.9 million for the year ended 31 December 2018 as compared to approximately HK\$5.7 million for the corresponding period in 2017; and (iv) project P9, a residential project of SHK Group in Shau Kei Wan, contributed revenue of approximately HK\$55.0 million for the year ended 31 December 2018 as compared to approximately HK\$10.4 million for the corresponding period in 2017 (Project reference number corresponds with the tables disclosed in the paragraphs headed “Business — Projects — Fitting-out projects — Completed projects” and “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus).

Cost of services

Our cost of services increased by approximately HK\$189.7 million or 40.3% from approximately HK\$470.8 million for the year ended 31 December 2017 to approximately HK\$660.5 million for the year ended 31 December 2018. Such increase is higher than the increase in our revenue by approximately 1.3 percentage points (and thus resulted in our slightly lower gross profit margin for the year ended 31 December 2018). Such increase was primarily due to the increase in sub-contracting fees and material costs, and it was in line with the increase in our revenue for the year ended 31 December 2018.

Sub-contracting fees increased from approximately HK\$248.1 million for the year ended 31 December 2017 to approximately HK\$352.9 million for the year ended 31 December 2018. Such increase is mainly due to the increase in amount of works outsourced to our sub-contractors as a result of our growth in business in the year ended 31 December 2018 as illustrated by the increase in our revenue as discussed above.

Material costs increased from approximately HK\$164.6 million for the year ended 31 December 2017 to approximately HK\$245.3 million for the year ended 31 December 2018. Such increase is mainly associated with our business growth during the year ended 31 December 2018.

Employee benefit expenses increased from approximately HK\$51.5 million for the year ended 31 December 2017 to approximately HK\$55.7 million for the year ended 31 December 2018. Such increase is primarily due to the increase in headcount of our project staff, salary increment and the increase in discretionary bonus for project staff.

FINANCIAL INFORMATION

Gross profit and gross profit margin

Our gross profit amounted to approximately HK\$81.9 million and approximately HK\$107.7 million for the year ended 31 December 2017 and the year ended 31 December 2018 respectively, representing an increase of approximately HK\$25.8 million or 31.5%, primarily due to the increase in revenue as discussed above. Our gross profit margin remained relatively stable of approximately 14.8% for the year ended 31 December 2017 and approximately 14.0% for the year ended 31 December 2018.

Other gains, net

Our other gains, net decreased by approximately HK\$0.4 million or 58.5% from approximately HK\$0.7 million for the year ended 31 December 2017 to approximately HK\$0.3 million for the year ended 31 December 2018. Such decrease was mainly attributable to net foreign exchange losses of approximately HK\$9,000 being recognised for the year ended 31 December 2018 while net foreign exchange gains of approximately HK\$0.3 million being recognised for the year ended 31 December 2017.

Administrative and Listing expenses

Our administrative and Listing expenses increased by approximately HK\$14.0 million or 39.3% from approximately HK\$35.8 million for the year ended 31 December 2017 to approximately HK\$49.8 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) an increase in depreciation on right-of-use assets from approximately HK\$3.2 million for the year ended 31 December 2017 to approximately HK\$4.1 million for the year ended 31 December 2018 primarily due to the increase in leasehold improvement for our new office at Yin Da Commercial Building; (ii) an increase in consultancy fee from approximately HK\$2.0 million for the year ended 31 December 2017 to approximately HK\$3.2 million for the year ended 31 December 2018 primarily due to the increase in the consultancy fee incurred for (a) business development from approximately HK\$1.8 million for the year ended 31 December 2017 to approximately HK\$2.2 million for the year ended 31 December 2018 which was generally in line with the increase in our revenue for the year ended 31 December 2018; and (b) information technology enhancement from approximately HK\$0.2 million for the year ended 31 December 2017 to approximately HK\$1.0 million for the year ended 31 December 2018 mainly due to the increase in consultancy fee incurred to our information technology consultants for developing an experimental projection system, and a virtual reality display system and a customised project operation system (which were in the feasibility study phase); (iii) an increase in employee benefit expenses from approximately HK\$21.0 million for the year ended 31 December 2017 to approximately HK\$29.6 million for the year ended 31 December 2018 primarily due to the increase in salary and benefits paid to our Directors (including Ms. Zhao who has been the director of Success Base Engineering since January 2018) and salary increment and the increase in discretionary bonus for our administrative and back office staff during the year.

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Finance income and finance costs

Finance income

Our finance income remained relatively stable at approximately HK\$2.0 million for the year ended 31 December 2017 and approximately HK\$2.0 million for the year ended 31 December 2018.

Finance costs

Our finance costs remained stable at approximately HK\$12.3 million for the year ended 31 December 2017 and approximately HK\$12.4 million for the year ended 31 December 2018.

Income tax expense

Our income tax expense increased by approximately HK\$1.8 million or 30.5% from approximately HK\$5.9 million for the year ended 31 December 2017 to approximately HK\$7.7 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in our profit before income tax from approximately HK\$36.5 million for the year ended 31 December 2017 to approximately HK\$47.8 million for the year ended 31 December 2018 mainly due to our increase in revenue and gross profit as discussed above.

Profit and total comprehensive income for the year attributable to owners of our Company

As a result of the foregoing, our profit and total comprehensive income for the year attributable to owners of our Company increased by approximately HK\$9.5 million or 31.1% from approximately HK\$30.6 million for the year ended 31 December 2017 to approximately HK\$40.2 million for the year ended 31 December 2018.

Our net profit margin remained stable at approximately 5.5% for the year ended 31 December 2017 and 5.2% for the year ended 31 December 2018.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity and working capital requirements primarily related to our operating expenses. Historically, we have met our working capital and other liquidity requirements principally through a combination of cash generated from our operations and bank borrowings. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, bank borrowings, the net proceeds from the Share Offer as well as other external equity and debt financings as and when appropriate. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the size of orders to be awarded by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. During the Track Record Period, we did not experience any liquidity shortage.

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Cash flows

The following table sets forth a summary of our consolidated statements of cash flows for the Track Record Period:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash generated from operations before changes in working capital	49,873	67,133	65,179
Changes in working capital	24,213	(35,771)	(123,521)
Income tax paid	(12,747)	(5,172)	—
Net cash generated from/(used in) operating activities	<u>61,339</u>	<u>26,190</u>	<u>(58,342)</u>
Net cash (used in)/generated from investing activities	(54,930)	6,967	(9,844)
Net cash (used in)/generated from financing activities	(15,967)	(39,798)	84,713
Net (decrease)/increase in cash and cash equivalents	(9,558)	(6,641)	16,527
Cash and cash equivalents at beginning of year	9,201	(357)	(6,998)
Cash and cash equivalents at end of year	<u>(357)^(Note)</u>	<u>(6,998)^(Note)</u>	<u>9,529</u>

Note: We recorded negative cash balance as at 31 December 2017 and 2018 mainly because we utilised bank overdrafts during the relevant financial years to finance our working capital.

Cash flows in operating activities

Our Group had (i) net cash generated from operating activities of approximately HK\$61.3 million and HK\$26.2 million for the years ended 31 December 2017 and 2018, respectively; and (ii) net cash used in operating activities of approximately HK\$58.3 million for the year ended 31 December 2019. During the Track Record Period, our operating cash inflows is primarily derived from our revenue from the provision of fitting-out services, whereas our operating cash outflows mainly includes payment for purchase of materials, sub-contracting fees, staff costs, as well as other working capital needs.

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For the year ended 31 December 2017, we had net cash generated from operating activities of approximately HK\$61.3 million, out of which our operating cash flows before movements in working capital was approximately HK\$47.8 million, which was primarily attributable to our profit before income tax of approximately HK\$36.5 million, mainly added (i) interest expenses of approximately HK\$12.3 million; (ii) depreciation of plant and equipment and right-of-use assets of approximately HK\$3.4 million in aggregate; and subtracted by interest income of approximately HK\$2.0 million. Movements in working capital contributed to the net cash inflow which was primarily due to the decrease in trade receivables of approximately HK\$53.8 million due to the settlement of our trade receivables balance from our customers; and partially offset by the decrease in trade payables of approximately HK\$27.4 million as a result of our payment of Upfront Costs for certain large-scale fitting-out projects.

For the year ended 31 December 2018, we had net cash generated from operating activities of approximately HK\$26.2 million, out of which our operating cash flows before movements in working capital was approximately HK\$67.1 million, which was primarily attributable to our profit before income tax of approximately HK\$47.8 million, mainly added (i) interest expenses of approximately HK\$12.4 million; (ii) depreciation of plant and equipment and right-of-use assets of approximately HK\$9.2 million in aggregate; and subtracted by (i) interest income of approximately HK\$2.0 million. Movements in working capital contributed to the net cash inflow which was primarily due to the decrease in trade receivables of approximately HK\$6.1 million; the decrease in other receivables, deposits and prepayments of approximately HK\$6.3 million mainly due to the decrease in prepayment for fitting-out works and deposit for projects' surety bond by the financial year end; increases in trade payables of approximately HK\$34.9 million primarily due to increase in payables to our sub-contractors, which was in line with the increase in our sub-contracting fees and associated with our fitting-out business expansion during the year; and entirely offset by the net cash outflow from the movement to contract assets/liabilities of approximately HK\$100.4 million as there was a substantial amount of contract works performed on certain large-scale fitting-out projects by the financial year end still pending for certification for progress payment as at 31 December 2018, as evidenced by the significant balance of our amounts due from customers for contract works on the same day.

For the year ended 31 December 2019, we had net cash used in operating activities of approximately HK\$58.3 million, out of which our operating cash flows before movements in working capital was approximately HK\$65.2 million, which was primarily attributable to our profit before income tax of approximately HK\$41.8 million, mainly added (i) interest expenses of approximately HK\$16.2 million; (ii) depreciation of plant and equipment and right-of-use assets of HK\$8.8 million in aggregate, and subtracted by interest income of approximately HK\$2.1 million. Movements in working capital contributed to the net cash outflow which was primarily due to the effect of net cash outflow from the movement to contract assets/liabilities of approximately HK\$49.6 million due to the increase in the amount of contract work performed on certain large-scale fitting-out projects by the year end but were not certified as at 31 December 2019; increase in trade receivables and trade receivable from a director of our Company/a related company of approximately HK\$107.6 million mainly due to our business growth and the increase in progress billing of our projects with customers other than NW Group as property developer and SHK Group, in particular, project P13 (Project reference number corresponds with the table disclosed in the paragraph headed "Business — Projects — Fitting-out projects — Projects on hand" in this prospectus) as we generally received payment from such customer around 90 days after we made payment application. Going forward, our Group intends to improve our net operating cash outflow position by enhancing our Group's credit control management of trade

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receivables and negotiating for better payment terms with our customers other than NW Group as property developer and SHK Group. In addition, our administrative and accounting department prepares cash flow forecast plans every week, and our financial controller analyses our working capital needs and collectability of our trade receivables and retention receivables every month. Our financial controller regularly discusses our cash flow situation and cost arrangements with the contract manager, and our contract department follows up with customers for payment. Besides, we have entered into short-term loan arrangements with banks which allow us to access working capital when needed.

Cash flows in investing activities

During the Track Record Period, our cash inflows from investing activities mainly include interest received and repayment from a Director, whereas our cash outflows from investing activities mainly consist of advance to related companies and a Director, with the remaining usage including purchases of plant and equipment and premium paid for insurance contracts.

For the year ended 31 December 2017, we had net cash used in investing activities of approximately HK\$54.9 million, which was primarily attributable to (i) the purchase of plant and equipment of approximately HK\$4.2 million mainly due to renovation of the leased properties including our Directors' quarters and staff's vacation quarters; (ii) the advance to related companies, namely One Studio and Sky Range of approximately HK\$4.3 million; (iii) repayment to a related company of approximately HK\$9.4 million; and (iv) the advance to a Director of approximately HK\$43.2 million, partially offset by (i) interest received of approximately HK\$2.0 million; and (ii) repayment from a director of HK\$3.2 million.

For the year ended 31 December 2018, we had net cash generated from investing activities of approximately HK\$7.0 million, which was primarily attributable to the repayment from a Director of approximately HK\$37.6 million; and partially offset by the purchase of plant and equipment of approximately HK\$11.6 million mainly due to renovation of the leased properties of our new office at Yin Da Commercial Building and the advance to a Director of approximately HK\$23.8 million.

For the year ended 31 December 2019, we had net cash used in investing activities of approximately HK\$9.8 million, which was primarily attributable to (i) the advance to a Director of approximately HK\$5.7 million; and (ii) the advance to related companies, namely One Studio, Sky Range and One Production, of approximately HK\$4.2 million.

Cash flows in financing activities

During the Track Record Period, our cash outflows from financing activities mainly include interest paid, repayment of bank borrowings, lease repayment of lease liabilities and dividend paid, while our cash inflow from financing activities mainly include drawdown of bank borrowings.

For the year ended 31 December 2017, our net cash used in financing activities was approximately HK\$16.0 million, which was primarily attributable to the combined effect of (i) interest paid of approximately HK\$12.3 million; (ii) drawdown of borrowings of approximately HK\$651.6 million; (iii) repayment of borrowings of approximately HK\$652.2 million and (iv) repayment of lease liabilities of approximately HK\$3.1 million.

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For the year ended 31 December 2018, our net cash used in financing activities was approximately HK\$39.8 million, which was primarily attributable to the combined effect of (i) interest paid of approximately HK\$12.4 million; (ii) drawdown of bank borrowings of approximately HK\$700.8 million; and (iii) repayment of bank borrowings of approximately HK\$702.5 million; and (iv) dividend paid of HK\$20.0 million.

For the year ended 31 December 2019, our net cash generated from financing activities was approximately HK\$84.7 million, which was primarily attributable to the combined effect of (i) interest paid of approximately HK\$16.2 million; (ii) drawdown of bank borrowings of approximately HK\$1,087.7 million; (iii) repayment of bank borrowings of approximately HK\$979.8 million; and (iv) repayments of lease liabilities of approximately HK\$4.2 million.

CAPITAL EXPENDITURES

For the years ended 31 December 2017, 2018 and 2019, our Group incurred capital expenditures primarily for purchase of plant and equipment and addition of right-of-use assets of approximately HK\$5.3 million, HK\$27.4 million and HK\$2.9 million in aggregate respectively.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the factors disclosed in the paragraph headed “Summary — Outbreak of COVID-19” in this prospectus, including but not limited to (i) our Group has not encountered, experienced or expect to encounter any project suspension and/or cancellation or any supply chain disruptions due to the outbreak of COVID-19 except for the four of our fitting-out project worksites were temporarily closed for two weeks in early February 2020; (ii) the fitting out works market is remained positive in the coming year as disclosed in the paragraph headed “Industry overview — Recent market development” in this prospectus; (iii) our Group’s ability to secure new projects and receive new tender invitation after the Track Record Period and up to the Latest Practicable Date, the financial resources presently available to our Group, including our cash and cash equivalents on hand, cash flows from operating activities, the unutilised banking facilities available to our Group and the estimated net proceeds from the Share Offer, our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

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NET CURRENT ASSETS

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Current assets				
Trade receivables	39,313	33,229	131,057	50,456
Other receivables, deposits and prepayments	47,905	42,349	34,334	39,747
Contract assets	67,581	171,745	164,193	170,500
Amount due from a Director	88,748	74,929	81,791	—
Amount due from Success Base Group Holding	34,812	28,812	28,812	—
Amounts due from related companies	190,988	191,996	203,465	185,246
Current income tax recoverable	1,276	—	—	1,143
Pledged time deposits	3,030	3,067	3,100	3,121
Cash and cash equivalents	6,177	2,961	10,847	4,219
Total current assets	<u>479,830</u>	<u>549,088</u>	<u>657,599</u>	<u>454,432</u>
Current liabilities				
Trade payables	4,503	39,371	71,016	51,395
Accruals, retention payables and other liabilities	34,894	52,290	55,741	48,899
Lease liabilities	2,275	4,067	4,253	3,654
Contract liabilities	80,836	84,615	27,675	19,819
Borrowings	280,602	282,268	381,507	361,606
Deferred tax liabilities	—	19	20	20
Current income tax payables	—	1,098	9,889	—
Total current liabilities	<u>403,110</u>	<u>463,728</u>	<u>550,081</u>	<u>485,393</u>
Net current assets/(liabilities)	<u>76,720</u>	<u>85,360</u>	<u>107,518</u>	<u>(30,961)</u>

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As at 31 December 2017, 2018 and 2019, our net current assets amounted to approximately HK\$76.7 million, HK\$85.4 million and HK\$107.5 million respectively. The increase in our net current assets was mainly due to the increase in our current assets as a result of our business growth and our profitable operation during the Track Record Period, partially offset by the increase in our current liabilities.

As at 30 April 2020, we recorded net current liabilities of approximately HK\$31.0 million, which was mainly attributable to our Group declaring and paying a special dividend in January 2020 in the total sum of HK\$130.0 million out of the profits of our Group available for distribution to pay to Mr. Ng, out of which (i) approximately HK\$128.1 million in the form of species of the receivables of our Group by setting off with the corresponding amounts due from a Director, Success Base Group Holding and related companies; and (ii) the balance of approximately HK\$1.9 million be paid or settled as agreed between our Group and Mr. Ng (as at the Latest Practicable Date, such balance was settled in full by way of offsetting the amounts due from related companies). Notwithstanding our net current liabilities position mentioned above, such position is due to the declaration of the special dividend which is not arising from our ordinary and usual course of business of our Group. For further details of the risks associated with net current liabilities, please refer to the paragraph headed “Risk factors — Risks relating to our business — We recorded net current liabilities as at 30 April 2020 which could constrain our operational flexibility and adversely affect our ability to expand our business” in this prospectus.

In order to improve our net current liabilities position as at 30 April 2020, we have taken and will continue to take the following measures to improve our liquidity: (i) plan and monitor our cash flow situation on a regular basis to ensure the cashflow of our Group remains healthy; and (ii) maintain stable business relationships with our principal banks so as to timely obtain/renew bank borrowings and negotiate for better terms of loans.

Our Directors believe that we will have sufficient working capital based on cash flows from our operations, the unutilised banking facilities and the net proceeds from the Share Offer. As such, we believe our business operations and financial condition will not be materially and adversely affected by our net current liabilities position.

ANALYSIS OF VARIOUS ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade receivables

Our trade receivables mainly represent the billed amount of progress payment receivables from our customers for the contract works performed by us. During the Track Record Period, we generally received payment from our customers around 30 days (for NW Group as property developer and SHK Group only) and around 90 days (for the other customers) after we make payment application. In determining the recoverability of our trade receivables, we monitor the creditworthiness of the relevant customers and take into account a number of indicators including, among others, subsequent settlement status and historical write-off.

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The following sets forth an ageing analysis of our trade receivables based on invoice date as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	22,459	29,304	67,143
31–60 days	7,542	1,282	41,136
61–90 days	4,380	1,252	21,367
Over 90 days	4,932	1,391	2,361
	39,313	33,229	132,007
Less: provision for impairment <i>(Note)</i>	—	—	(950)
Trade receivables, net	39,313	33,229	131,057

Note: During the year ended 31 December 2019, a provision for impairment of trade receivables of HK\$950,000 has been made according to HKFRS 9 based on shared credit risk characteristics and the days past due.

The decrease in our trade receivables from HK\$39.3 million as at 31 December 2017 to HK\$33.2 million as at 31 December 2018 was primarily driven by the settlement from our clients such as NW Group as property developer and SHK Group of approximately HK\$35.8 million in aggregate near the end of financial year 2018.

The increase in our trade receivables from approximately HK\$33.2 million as at 31 December 2018 to approximately HK\$131.1 million as at 31 December 2019 was primarily attributable to the increase in progress billings of our projects with NW Group as property developer or SHK Group near 31 December 2019.

As at the Latest Practicable Date, approximately 99.8% of our trade receivables as at 31 December 2019 had been subsequently settled.

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Trade receivable turnover days

The following table sets forth our trade receivable turnover days for the year indicated:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable turnover days ^(Note)	43.7	17.2	34.1

Note: The trade receivable turnover days for a year is the average trade receivables divided by revenue attributable for that year and multiplied by 365 days for the years ended 31 December 2017, 2018 and 2019.

Our trade receivable turnover days decreased from approximately 43.7 days for the year ended 31 December 2017 to approximately 17.2 days for the year ended 31 December 2018. The improvement in trade receivable turnover days is primarily because we undertook more fitting-out projects with NW Group as property developer or SHK Group for the year ended 31 December 2018, where we were generally paid around 30 days after we made payment application during the relevant period. For fitting-out projects with other customers, we were generally paid around 90 days after we made payment application.

The increase in our trade receivable turnover days from approximately 17.2 days for the year ended 31 December 2018 to approximately 34.1 days for the year ended 31 December 2019 was primarily due to the increase in our average trade receivable balance for the year ended 31 December 2019 due to the increase in the proportion of fitting-out projects we undertook for customers other than NW Group as property developer and SHK Group, where we were generally paid after 90 days after we made payment application during the relevant period.

The following table sets forth our trade receivable and contract asset turnover days for the year indicated:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable and contract asset turnover days ^(Note)	83.7	74.1	103.8

Note: The trade receivable and contract asset turnover days for a year is the average trade receivables and contract assets, in aggregate, divided by revenue attributable for that year and multiplied by 365 days for the years ended 31 December 2017, 2018 and 2019.

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The decrease in our trade receivable and contract asset turnover days from approximately 83.7 days for the year ended 31 December 2017 to approximately 74.1 days for the year ended 31 December 2018 was primarily due to the increase in progress billing of our projects with NW Group as property developer or SHK Group where we generally received payment from such customer around 30 days after we made payment application in the year ended 31 December 2018.

The increase in our trade receivable and contract asset turnover days from approximately 74.1 days for the year ended 31 December 2018 to approximately 103.8 days for the year ended 31 December 2019 was primarily due to the increase in progress billing of our projects with customers other than NW Group as property developer and SHK Group, in particular, project P13 (Project reference number corresponds with the table disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus), where we generally received payment from such customer around 90 days after we made payment application.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments primarily represent prepayment for fitting-out works, prepayment for Listing expenses, prepayment for insurance, deposits and advances to our employees. Our Group’s deposits mainly represented surety bonds purchased from insurance companies for our projects, deposits for rental and utilities deposits. The following table sets out other receivables, deposits and prepayment as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments for fitting-out works	42,125	38,360	28,929
Prepayments for Listing expenses	—	—	2,803
Prepayments for insurance	—	—	2,369
Deposits	11,881	9,441	18,052
Advances to employees	383	322	184
	54,389	48,123	52,337

Our other receivables, deposits and prepayments decreased from approximately HK\$54.4 million as at 31 December 2017 to approximately HK\$48.1 million as at 31 December 2018, primarily due to the decrease in prepayment for fitting-out works from approximately HK\$42.1 million as at 31 December 2017 to approximately HK\$38.4 million as at 31 December 2018 and the decrease in deposits from approximately HK\$11.9 million as at 31 December 2017 to approximately HK\$9.4 million as at 31 December 2018.

Our other receivables, deposits and prepayments remained relatively stable at approximately HK\$48.1 million as at 31 December 2018 and approximately HK\$52.3 million as at 31 December 2019.

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Contract assets and contract liabilities

The following table sets out the movement of contract assets and liabilities:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from customers for contract works	23,827	119,280	115,621
Retention receivables due from third parties for fitting-out services	43,754	52,153	48,572
Retention receivables due from a related party for fitting-out services	—	312	—
Total contract assets	67,581	171,745	164,193
Amounts due to customers for contract works	(80,836)	(83,092)	(27,675)
Amount due to a related party for contract works	—	(1,523)	—
Total contract liabilities	(80,836)	(84,615)	(27,675)

The contract assets primarily relate to our rights to consideration for works completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Our total contract assets increased from approximately HK\$67.6 million as at 31 December 2017 to approximately HK\$171.7 million as at 31 December 2018, primarily due to the increase in amount due from customer for contract works of approximately HK\$95.5 million. It was mainly because the costs incurred and the work performed for some fitting-out projects were pending to be agreed/certified by the customers so the relevant contract assets were not billed as at 31 December 2018, largely for a commercial fitting-out project of NW Group as contractor in Hong Kong Science Park (the relevant amount due from customer for contract works amounted to approximately HK\$19.6 million) and the substantial amount of variation orders performed at the end of the year ended 31 December 2018 for project P6 (the relevant amount due from customer for contract works amounted to approximately HK\$27.7 million). The remaining outstanding balance of the increase in amount due from customer for contract works mainly related to (i) project P8 (the relevant amount due from customer for contract works amounted to approximately HK\$12.8 million); (ii) project P11 (the relevant amount due from customer for contract works amounted to approximately HK\$11.9 million); (iii) project P4 (the relevant amount due from customer for contract works amounted to approximately HK\$6.8 million); and (iv)

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project P38 (the relevant amount due from customer for contract works amounted to approximately HK\$6.2 million). (Project reference number corresponds with the table disclosed in the paragraph headed “Business — Projects — Fitting-out projects — Completed projects” in this prospectus).

Our total contract assets remained relatively stable at approximately HK\$171.7 million as at 31 December 2018 and approximately HK\$164.2 million as at 31 December 2019.

The following table sets forth a breakdown of the ten largest fitting-out projects by the amount of contract assets as at 31 December 2019 and the amount subsequent billed (Project reference number corresponds with the tables disclosed in the paragraphs headed “Business — Projects — Fitting-out projects — Completed projects” and “Business — Projects — Fitting-out projects — Projects on hand” in this prospectus):

Project code	Amounts due from customers for contract works subsequently billed as at the Latest Practicable Date		Retention receivables due from third parties for fitting-out services subsequently billed as at the Latest Practicable Date		Total contract assets as at 31 December 2019	Total contract assets subsequently billed as at the Latest Practicable Date
	31 December 2019	Practicable Date	31 December 2019	Practicable Date		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
P10 <i>(Notes 1&2)</i>	25,175	(10,666)	—	—	25,175	(10,666)
P11 <i>(Notes 1&3)</i>	11,583	(4,240)	4,540	(2,270)	16,123	(6,510)
P8 <i>(Notes 1&4)</i>	10,091	—	2,103	—	12,194	—
P1 <i>(Notes 1&5)</i>	7,516	—	4,010	—	11,526	—
P18 <i>(Notes 1&6)</i>	6,498	(351)	3,616	(1,736)	10,114	(2,087)
P13	1,339	(1,339)	8,162	—	9,501	(1,339)
P7 <i>(Notes 1&7)</i>	9,223	(1,707)	—	—	9,223	(1,707)
P9 <i>(Notes 1&8)</i>	7,395	(1,782)	—	—	7,395	(1,782)
P15	3,389	(3,389)	3,289	—	6,678	(3,389)
P4 <i>(Notes 1&9)</i>	2,666	(1,400)	3,536	—	6,202	(1,400)
Others	30,746	(13,823)	19,316	(12,287)	52,061	(26,110)
Total	115,621	(38,697)	48,572	(16,293)	164,193	(54,990)
Total outstanding as at the Latest Practicable Date	<u>76,924</u>		<u>32,279</u>		<u>109,203</u>	

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Notes:

1. Projects P10, P11, P8, P1, P18, P7, P9 and P4 are practically completed as at 31 December 2019 and the defects liability period according to the contract terms has started, after which we will follow up with our customers for the final account. We performed substantial amount of variation orders for these projects as requested by our customers (who had indicated to us the scope of variation orders to be performed), but the values of such variation orders were pending customers' assessment, which resulted in a relatively large amount of contract assets. We keep following up with our customers to achieve an agreement on final account which may include the payment of the remaining retention money and the variation orders. The timeframe of customers' assessment on the values of the variations orders we have performed and the outstanding payments payable to us are beyond our control.
2. As at the Latest Practicable Date, approximately HK\$13.2 million, representing approximately 90.8% of our remaining unbilled amounts due from customers for contract works for P10 as at 31 December 2019, was relevant to the values of variation orders we have performed but were pending customers' assessment.
3. As at the Latest Practicable Date, approximately HK\$6.7 million, representing approximately 90.7% of our remaining unbilled amounts due from customers for contract works for P11 as at 31 December 2019, was relevant to the values of variation orders we have performed but were pending customers' assessment.
4. As at the Latest Practicable Date, all of our unbilled amounts due from customers for contract works for P8 as at 31 December 2019 was relevant to the values of variation orders we have performed but were pending customers' assessment.
5. As at the Latest Practicable Date, all of our unbilled amounts due from customers for contract works for P1 as at 31 December 2019 was relevant to the values of variation orders we have performed but were pending customers' assessment.
6. As at the Latest Practicable Date, all of our unbilled amounts due from customers for contract works for P18 as at 31 December 2019 was relevant to the values of variation orders we have performed but were pending customers' assessment.
7. As at the Latest Practicable Date, all of our unbilled amounts due from customers for contract works for P7 as at 31 December 2019 was relevant to the values of variation orders we have performed but were pending customers' assessment.
8. As at the Latest Practicable Date, all of our unbilled amounts due from customers for contract works for P9 as at 31 December 2019 was relevant to the values of variation orders we have performed but were pending customers' assessment.
9. As at the Latest Practicable Date, approximately HK\$1.0 million, representing approximately 75.1% of our remaining unbilled amounts due from customers for contract works for P4 as at 31 December 2019, was relevant to the values of variation orders we have performed but were pending customers' assessment.
10. Retention receivables due from third parties for fitting-out services were not billed in general if the projects have not reached practical completion or expiry of defects liability period as at that date.

Based on our experience during the Track Record Period, during project implementation, in general, we submit monthly payment applications to our customers based on the work progress and generally receive payment on a regular basis. After practical completion, as works have been substantially completed and we are pending customers' assessment for the variation orders we performed, the average time required for performing billing subsequent to project practical completion to final account would be relatively irregular and largely depend on the timeframe of customer's assessment. During the Track Record Period, the average time required for performing billing (i) during project implementation to project practical completion stage; and (ii) subsequent to project practical completion to final account were approximately 35.4 days and 292.9 days, respectively, but the actual time of billing will depend on the actual situation of our customer's assessment. According to the Frost

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& Sullivan Report, the time required for us to obtain formal certification from customers and carry out billing (for both project implementation and subsequent to project practical completion to final account) during the Track Record Period is within the general average time required for billing of that of our industry peers. As at the Latest Practicable Date, approximately HK\$55.0 million, representing approximately 33.5% of our total contract assets as at 31 December 2019 had been subsequently billed, and out of our billed contract assets of approximately HK\$55.0 million, approximately HK\$51.8 million, representing approximately 94.2% had been subsequently settled. Out of the respective amounts due from customers for contract works of approximately HK\$23.8 million as at 31 December 2017 and approximately HK\$119.3 million as at 31 December 2018, approximately HK\$21.6 million or 90.7%, and approximately HK\$118.7 million or 99.5% had been subsequently billed and settled as at the Latest Practicable Date. The remaining unbilled balances related to the value of variation orders we have performed but not assessed in full by our customers during final account negotiation. Out of the amounts due from customers for contract works of approximately HK\$115.6 million as at 31 December 2019, approximately HK\$78.6 million represented the value of variation orders we have performed but were pending customers' assessment. Out of the remaining balance of amount due from customers for contract work of approximately HK\$37.0 million, approximately HK\$36.6 million or 98.9% had been subsequently billed as at the Latest Practicable Date.

For our value of variation orders that we have performed but were pending customers' assessment, where the works under the variation orders are the same or similar to the works prescribed in the contract, the value of the variation orders usually accord with the schedule of rates in the original contract. If there was no equivalent or similar items under the original contract for reference, we will estimate the value of the variation orders on a cost plus pricing model based on our experience on similar works and quotation from our suppliers and sub-contractors with a mark-up with reference to our previous projects with such customers, in accordance with our pricing strategy, further details of which are set out in the paragraph headed "Business — Sales and marketing — Pricing strategy" in this prospectus, and we will further agree on the value of the variation orders with our customers. The value of the variation orders is usually ascertained when we negotiate with our customers to conclude the final account.

Our Directors are of the view that the time required for billing and the timing of certification of the contract work by the customers varies from different projects and different customers based on their own certification process and approval procedures. It normally takes longer time for our customers to certify our contract works when (i) our Group has already completed substantial amount of contract works before our customers' certification; or (ii) before our customers issue the final accounts for our contract works. To the best knowledge, information, and belief of our Directors, our customers has taken longer time to go through the certification process or approval procedures as affected by the Chinese New Year in the year 2020 in late January followed by the outbreak of COVID-19 in Hong Kong. For further details and risks in respect of variation orders, please refer to the paragraphs headed "Business — Operation procedures — Fitting-out services — Project implementation — Variation orders" and "Risk factors — Risks relating to our business — Our revenue and profit margin are subject to fluctuations driven by variation orders, and we and our customers may take different views on the value of the variation orders, we may realise lower than anticipated profits or incur losses on contracts" in this prospectus.

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Our retention receivables are recognised in respect of the retention money held up by our customers from each progress payment (typically up to 10% of the sum of each of our progress payment) until a specified percentage of the original contract sum (typically 5% of the original contract sum) is reached. The first half of the retention money is usually released upon practical completion of a project and the remaining portion is usually released upon the expiry of the defects liability period, which is, in general, ranging from 12 to 24 months after practical completion of the project. Therefore, a certain portion of our retention receivables would normally remain outstanding as at the end of the reporting period.

The following sets forth an ageing analysis of our retention receivables based on the terms of related contracts:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Will be recovered within 12 months	10,637	17,793	22,070
Will be recovered more than 12 months after the end of the year	33,117	34,360	26,502
Total	43,754	52,153	48,572

As at the Latest Practicable Date, approximately HK\$16.3 million, representing approximately 33.5% of our retention receivables as at 31 December 2019 had been settled.

The contract liabilities primarily relate to our Group's obligation to fitting-out services to customers for which our Group has received consideration from the customers. As at 31 December 2017, 2018 and 2019, our contract liabilities were approximately HK\$80.8 million, HK\$84.6 million and HK\$27.7 million respectively.

Trade payables

Our trade payables primarily arise from purchase of materials and subcontracting fee for works performed by our sub-contractors for our projects. We generally pay our suppliers and sub-contractors within 30 days after they issue their invoice.

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The following sets forth an ageing analysis of our trade payables based on invoice date as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	2,363	25,922	50,398
31–60 days	1,587	5,847	8,842
61–90 days	292	4,346	3,400
Over 90 days	261	3,256	8,376
Total	4,503	39,371	71,016

The increase in our trade payables from approximately HK\$4.5 million as at 31 December 2017 to approximately HK\$39.4 million as at 31 December 2018, and to approximately HK\$71.0 million as at 31 December 2019 was primarily due to the increase in payables to our sub-contractors, which was in line with the increase in our sub-contracting fees due to our fitting-out business expansion during the year ended 31 December 2018 and 2019.

Our trade payables aged over 30 days increased from approximately HK\$2.1 million as at 31 December 2017 to approximately HK\$13.5 million as at 31 December 2018, and to approximately HK\$20.6 million as at 31 December 2019. Our suppliers and/or sub-contractors do not impose any credit periods on us in usual, and during the Track Record Period, we generally paid our sub-contractors around 30 days after they issued their invoice. According to the Frost & Sullivan Report, it is not uncommon for fitting-out contractors to make partial payment to their sub-contractors and materials suppliers when settling trade payables in order to better allocate and reserve financial resources for business operations. During the Track Record Period, we made partial payment to some of our sub-contractors around 30 days after they issued their invoice. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our suppliers and sub-contractors regarding payment. Such outstanding payment amounts would constitute our trade payables aged over 30 days. The increase of our trade payables aged over 30 days during the Track Record Period was also in line with the increase in our sub-contracting fees due to our fitting-out business expansion during the Track Record Period. Our trade payables aged from 1 to 30 days as at 31 December 2019 were approximately HK\$50.4 million. Given our cash and cash equivalents of approximately HK\$4.2 million and our unutilised banking facilities of approximately HK\$61.3 million as at 30 April 2020, our Directors are of the view that we will be able to settle our payment obligations due in around one month as at 31 December 2019 in full with our unutilised banking facilities.

As at the Latest Practicable Date, approximately HK\$55.9 million, representing approximately 78.7% of our trade payables as at 31 December 2019 had been subsequently settled.

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Trade payable turnover days

The following table sets forth our trade payable turnover days for the years indicated:

	For the year ended		
	31 December		
	2017	2018	2019
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade payable turnover days ^(Note)	16.1	13.4	29.1

Note: The trade payable turnover days for a year is the average trade payables divided by material costs and sub-contracting fees for that year and multiplied by 365 days for the years ended 31 December 2017, 2018 and 2019.

Our trade payable turnover days remained relatively stable at approximately 16.1 days and 13.4 days for the years ended 31 December 2017 and 2018, respectively. The increase in our trade payable turnover days from 13.4 days for the year ended 31 December 2018 to 29.1 days for the year ended 31 December 2019 was primarily due to the relatively high trade payable balance recorded as at 31 December 2019 in relation to our purchase of materials made towards the respective year end and the works performed by our sub-contractors in which out of the trade payables of approximately HK\$71.0 million as at 31 December 2019, approximately HK\$50.4 million were aged within 30 days.

Accruals, retention payables and other liabilities

The following table sets forth a breakdown of our accruals, retention payables and other liabilities as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retention payables	13,873	28,534	40,203
Accrued wages and salaries	20,057	21,664	9,437
Other accruals and payables	964	2,092	6,101
Total	34,894	52,290	55,741

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Our retention payables are settled in accordance with the terms of the respective contracts. The terms vary from contracts to contracts and timing of the release of the retention payables is subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The following sets forth an ageing analysis of our retention payables based on the terms of related contracts:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Will be settled within 12 months	605	19,215	17,203
Will be settled more than 12 months after the end of the year	13,268	9,319	23,000
Total	13,873	28,534	40,203

As at the Latest Practicable Date, approximately HK\$7.9 million, representing approximately 19.7% of our retention payables as at 31 December 2019 had been subsequently settled.

Our accrued wages and salaries remained relatively stable at approximately HK\$20.1 million and HK\$21.7 million as at 31 December 2017 and 2018, respectively. Our accrued wages and salaries decreased from approximately HK\$21.7 million as at 31 December 2018 to approximately HK\$9.4 million as at 31 December 2019, mainly because of the decrease in our accrual of staff bonus as at 31 December 2019.

Our other accruals and payables primarily represent general and administrative expenses payable, bonus accrual and accrued Listing expenses. Our other accruals and payables increased from approximately HK\$1.0 million as at 31 December 2017 to approximately HK\$2.0 million as at 31 December 2018, mainly because we experienced substantial amount of variation orders during year end of 2018 which resulted in the increase of general and administrative expenses payable, and further increased to approximately HK\$6.1 million as at 31 December 2019, primarily due to the increase of accrued Listing expenses.

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Amounts due from a Director, Success Base Group Holding and related companies

The following table sets forth a breakdown of our amounts due from a Director, Success Base Group Holding and related companies as at the dates indicated:

	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a Director	88,748	74,929	81,791
Amount due from Success Base Group Holding	34,812	28,812	28,812
Amounts due from related companies	190,988	191,996	203,465
• One Studio	39,120	39,233	46,902
• Fullmax	10,980	10,980	10,980
• Sky Range	135,049	135,942	137,362
• Nice Dragon	1,345	1,345	1,346
• Success Land	3,172	3,172	3,178
• One Production	1,322	1,324	3,697

Amount due from a Director

As at 31 December 2017, 2018 and 2019, the amount due from a Director, Mr. Ng, is unsecured and repayable on demand and denominated in Hong Kong dollars. During the year ended 31 December 2017, 2018 and 2019, except for the amount of approximately HK\$12.6 million, HK\$12.3 million and HK\$12.0 million, respectively with interest bearing at HIBOR plus 1.8% per annum respectively, the remaining amounts are non-interest bearing. Such amount is non-trade in nature, except for the amount of approximately HK\$1.7 million as at 31 December 2019 which is trade in nature.

Amounts due from Success Base Group Holding and related companies

As at 31 December 2017, 2018 and 2019, the amounts due from Success Base Group Holding and related companies, namely Success Land, Nice Dragon, Fullmax, One Studio, Sky Range and One Production, are unsecured and repayable on demand and denominated in Hong Kong dollars. During the year ended 31 December 2017, 2018 and 2019, except for the amounts due from related companies of approximately HK\$59.8 million, HK\$57.2 million and HK\$54.6 million, with interest bearing at prime rate minus 2.5 per annum respectively, the other amounts are non-interest bearing. All of such amounts are non-trade in nature, except for the amount of approximately HK\$7.4 million as at 31 December 2019 which is trade in nature.

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Circumstances leading to the significant amounts due from a Director, Success Base Group Holding, and related companies

Historically, we relied on debt financing for the expansion of our business operations and funding our Upfront Costs and surety bonds requirements for our projects on hand. However, our Directors considered that it was relatively impracticable for us to obtain significant bank borrowings or further increase the limit of our available banking facilities on commercial terms acceptable to us without additional properties to be used as collaterals. As such, whilst Mr. Ng and his associates advanced funds from our Group to purchase properties, Mr. Ng and his associates has further provided financial assistance to our Group by offering the properties beneficially owned by them to be used as collaterals for our banking facilities.

- Amount due from a Director

As at 31 December 2017, 2018 and 2019, the amount due from a Director mainly represented the amount advanced to Mr. Ng and Ms. Zhao for their own property purchase and related matters. The remaining amount was drawn mainly for the family and general living expenses and funding the other businesses of Mr. Ng.

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The table below sets out the details of the properties acquired by Mr. Ng and Ms. Zhao using the amounts advanced to them by our Group prior to and during the Track Record Period which resulted in the amount due from a Director as at 31 December 2017, 2018 and 2019:

Property code	Address of property	Identity of legal owner	Whether the property is transferred among our Directors and their related companies or our Group prior to or during the Track Record Period	Date of acquisition of property	Purchase price HK\$ million	Amounts advanced by our Group HK\$ million	Amount of subsequent mortgage payments made by our Group/(Amount borne by the legal owner)			Date of property used as collateral to facilitate our Group's borrowings and the details of such borrowings, if any
							2017	2018	2019	
					HK\$ million	HK\$ million	HK\$ million	HK\$ million		
PA	House J4 of Stage IV, Marina Cove, 380 Hiram's Highway, Hebe Haven, Sai Kung, New Territories, Hong Kong <i>(note 1)</i>	Ms. Zhao	No	October 2016	25.9	26.0 <i>(note 3)</i>	0.6/ <i>(0.3)</i>	0.7/ <i>(0.4)</i>	0.7/ <i>(0.4)</i>	October 2016. As at the Latest Practicable Date, the property was pledged, among others, as collateral for banking facilities not exceeding HK\$50.2 million <i>(note 7)</i>
PB	Flat F, 10/F, Block 20, Tropicana 7, Dynasty Heights, 2 Yin Ping Road, Beacon Hill, Kowloon, Hong Kong and car parking space No. 29 <i>(note 2)</i>	Mr. Ng	No	April 2016	20.0	19.9	Purchase not funded by mortgage	Purchase not funded by mortgage	Purchase not funded by mortgage	July 2016. As at the Latest Practicable Date, the property was pledged, among others, as collateral for banking facilities of approximately HK\$61.0 million <i>(notes 6 & 7)</i>
PC	Seven residential units (Unit K, 1/F together with flat roof appertaining thereto of Tower 3; Unit J, 1/F together with flat roof appertaining thereto of Tower 3; Unit J, 19/F of Tower 5; Unit K, 1/F together with flat roof appertaining thereto of Tower 6; Unit K, 1/F together with flat roof appertaining thereto of Tower 7; Unit G, 1/F together with flat roof appertaining thereto of Tower 7 and Unit K, 1/F together with flat roof appertaining thereto of Tower 5) at The Papillons, 21 Tong Chun Street, Tseung Kwan O, New Territories, Hong Kong	Mr. Ng (for six of the residential units); Mr. Ng and his mother (for one of the residential units)	No	October 2018	68.1	14.5	N/A	Mortgage not relevant to our Group	Mortgage not relevant to our Group	N/A <i>(note 4)</i>
PD	Car parking spaces No. R438, R315, R470, R468, R440 and R313 at The Papillons, 21 Tong Chun Street, Tseung Kwan O, New Territories, Hong Kong	Mr. Ng	No	October 2018	11.9	12.2	N/A	N/A	N/A	September 2019. As at the Latest Practicable Date, all the properties were pledged, among others, as collaterals for banking facilities not exceeding HK\$94.5 million <i>(note 7)</i>

FINANCIAL INFORMATION

Notes:

1. This is one of our leased properties as at the Latest Practicable Date. Please refer to the paragraphs headed “Business — Properties” and “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Ms. Zhao” in this prospectus for details.
2. This is one of our leased properties as at the Latest Practicable Date. Please refer to the paragraphs headed “Business — Properties” and “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Mr. Ng” in this prospectus for details.
3. The repayment of interests from Ms. Zhao to us represented our interest income from loans to our Director during the Track Record Period. For details, please refer to the paragraph headed “Principal components of results of operations — Finance income and finance costs — Finance income” in this section. The mortgage loan will be repaid in full by Mr. Ng and his associates utilising their own financial resources before Listing.
4. The properties were purchased subject to a mortgage loan provided by property developer on certain terms and conditions to the legal owner which made it not feasible to be used as collaterals for further bank borrowings.
5. Such amount was financed by term loan and also our internal resources.
6. Such banking facilities were also secured by the properties with property code PE and PH.
7. Our Directors confirmed that confirmations have been obtained from the relevant banks and that the relevant collaterals will be released upon Listing.

FINANCIAL INFORMATION

As confirmed by our Directors, the funds advanced to our Directors were not used to pay off any of the operating expenses of our Group. Neither were the funds considered as part of Mr. Ng or Ms. Zhao's Directors' remunerations as the amount due from a Director will be fully repaid to our Group before Listing. Our Directors confirm that our Group had not claimed any tax deduction for the personal expenses of Mr. Ng and Ms. Zhao (including the mortgage interest or other expenses included in the amounts due from a Director or other related parties) in our Group's tax filings and that there were no waiver of advance to our Directors and thus there were no waiver of advance forming part of our Directors' remuneration in their salaries tax filings.

- Amount due from Success Base Group Holding

As at 31 December 2017, 2018 and 2019, the amount due from Success Base Group Holding was mainly related to (i) the purchase of the entire equity interests of Nice Dragon which held a property, (ii) the funds Success Base Group Holding agreed to pay to Success Base Engineering on behalf of its then wholly-owned subsidiary, Success Land, in consideration for Success Base Engineering transferring the ownership of a property and a car parking space to Success Land and (iii) the subscription of the increased share capital of HK\$2,499,000 of Success Base Engineering. The remaining amount was drawn mainly for funding its general expenses as property-holding company.

FINANCIAL INFORMATION

The table below sets out the details of the property held by Nice Dragon and the property that was transferred to Success Land:

Property code	Address of property	Identity of legal owner	Whether the property/equity interest is transferred among our Directors and their related companies or our Group prior to or during the Track Record Period	Date of acquisition of property/equity interest	Purchase price <i>HK\$ million</i>	Amounts advanced by our Group <i>HK\$ million</i>	Amount of subsequent mortgage payments made by our Group/(Amount borne by the legal owner) For the year ended			Date of property used as collateral to facilitate our Group's borrowings and the details of such borrowings, if any
							2017 <i>HK\$ million</i>	2018 <i>HK\$ million</i>	2019 <i>HK\$ million</i>	
PE	Block A, 10/F, East Sun Industrial Centre, 16 Shing Yip Street, Kowloon, Hong Kong	Nice Dragon	No. The entire equity interests of Nice Dragon were transferred from an Independent Third Party to Success Base Group Holding	August 2014	33.0	20.7	Mortgage not relevant to our Group	Mortgage not relevant to our Group	August 2014. As at the Latest Practicable Date, the property was pledged, among others, as collateral for banking facilities of approximately HK\$61.0 million <i>(Notes 3 & 5)</i>	
PF	Flat E, 10/F, Block 20 Tropicana 7, Dynasty Heights 2 Yin Ping Road Beacon Hill, Kowloon Hong Kong and car parking space No. 187 <i>(Note 1)</i>	Success Land	Yes. Purchased from Success Base Engineering	July 2013	9.8	9.8	Purchase not funded by mortgage	Purchase not funded by mortgage	July 2013 <i>(Note 2)</i> As at the Latest Practicable Date, all the properties were pledged, among others, as collaterals for combined banking facilities of approximately HK\$175.1 million <i>(Notes 4 & 5)</i>	

Notes:

1. This is one of our leased properties as at the Latest Practicable Date. Please refer to the paragraphs headed “Business — Properties” and “Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements-Success Land” in this prospectus for details.
2. The date such property used as collateral for banking facilities of Success Base Engineering after the property was assigned to Success Land.
3. Such banking facilities were also secured by the properties with property code PB and PH.
4. Such banking facilities were also secured by the properties with property code PG and PI.
5. Our Directors confirmed that confirmations have been obtained from the relevant banks and that the relevant collaterals will be released upon Listing.

FINANCIAL INFORMATION

The property transferred to Success Land is a residential property, the holding of which was considered by Mr. Ng as irrelevant to the business nature and operation of our Group. Success Land principally engages in property-holding. Mr. Ng, as the ultimate beneficial owner of all these companies, made the decision to transfer such property with a view to delineate the business of his companies. Such property and car parking spaces had been leased to our Group as Directors' quarters since 1 January 2018 as a part of our Director's remuneration. Please refer to the paragraph headed "Connected transactions — Transactions entered into before Listing which would otherwise constitute connected transactions — Tenancy agreements — Success Land" in this prospectus for details.

- Amounts due from One Studio, Fullmax and Sky Range

As at 31 December 2017, 2018 and 2019, the amounts due from One Studio, Fullmax and Sky Range mainly represented the amounts advanced to each of them for their property purchase and related matters. The remaining amounts were drawn mainly for funding their general expenses as property-holding companies.

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The table below sets out the details of the properties acquired by One Studio, Fullmax and Sky Range prior to the Track Record Period which resulted in the amounts due from these companies as at 31 December 2017, 2018 and 2019:

Property code	Address of property	Identity of legal owner	Whether the property is transferred among our Directors and their related companies or our Group prior to or during the Track Record Period	Date of acquisition of property	Purchase price HK\$ million	Amounts advanced by our Group HK\$ million	Amount of subsequent mortgage payments made by our Group/(Amount borne by the legal owner) For the year ended			Date of property used as collateral to facilitate our Group's borrowings and the details of such borrowings, if any
							2017	2018	2019	
					HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
PG	Workshops No. 1, 2, 3, 5, 6, 7, 8, 9 and store room, 10/F, Lemmi Centre, 50 Hoi Yuen Road, Kowloon, Hong Kong	One Studio	No	April 2014	36.1	39.1 ^(Note 6)	0.9/ (0.3) ^(Note 1)	0.9/ (0.3) ^(Note 1)	0.9/ (0.3) ^(Note 1)	April 2014. As at the Latest Practicable Date, all the properties were pledged, among others, as collaterals for combined banking facilities of approximately HK\$175.1 million ^(Notes 3 & 7)
PH	Workshops No.1, 2 and Store Room 1, 2, 1/F, Lemmi Centre, 50 Hoi Yuen Road, Kowloon, Hong Kong	Fullmax	No	November 2016	15.0	10.2	Mortgage not relevant to our Group	Mortgage not relevant to our Group	Mortgage not relevant to our Group	November 2016. As at the Latest Practicable Date, all the properties were pledged, among others, as collaterals for banking facilities of approximately HK\$61.0 million ^(Notes 3 & 7)
PI	2/F, 3/F and 9/F, Tung Lee Industrial Building, 9 Lai Yip Street, Kowloon, Hong Kong	Sky Range	No	August 2016	125.0	136.0 ^(Note 6)	3.3/ (1.3) ^(Note 2)	3.3/ (1.3) ^(Note 2)	3.3/ (1.3) ^(Note 2)	August 2016. As at the Latest Practicable Date, all the properties were pledged, among others, as collaterals for combined banking facilities of approximately HK\$175.1 million ^(Notes 3 & 7)

Notes:

1. The repayment of interests from One Studio also represented our interest income from loans to related companies during the Track Record Period. For details, please refer to the paragraph headed "Principal components of results of operations — Finance income and finance costs — Finance income" in this section. The mortgage loan will be repaid in full by Mr. Ng and his associates utilising their own financial resources before Listing.
2. The repayment of interests from Sky Range also represented our interest income from loans to related companies during the Track Record Period. For details, please refer to the paragraph headed "Principal components of results of operations — Finance income and finance costs — Finance income" in this section. The mortgage loan will be repaid in full by Mr. Ng and his associates utilising their own financial resources before Listing.
3. Such banking facilities were also secured by the properties with property code PF and PI.
4. Such banking facilities were also secured by the properties with property code PB and PE.
5. Such banking facilities were also secured by the properties with property code PF and PG.
6. Such amount was financed by term loan and also our internal resources.
7. Our Directors confirmed that confirmations have been obtained from the relevant banks and that the relevant collaterals will be released upon Listing.

FINANCIAL INFORMATION

- Amounts due from Nice Dragon and Success Land

As at 31 December 2017, 2018 and 2019, the amounts due from Nice Dragon and Success Land mainly represented the amounts advanced to each of them for their general expenses as a property-holding company.

- Amount due from One Production

As at 31 December 2017, 2018 and 2019, the amount due from One Production mainly represented the amount advanced to it for its business operations as a trading company of loose furniture.

Repayment of the amounts due from a Director, Success Base Group Holding, and related companies

Please refer to the “Consolidated statements of cash flows” in Appendix I to this prospectus for the repayments from Mr. Ng, Success Base Group Holding, and One Studio, Fullmax, Sky Range, Nice Dragon, Success Land and One Production to our Group during the Track Record Period.

The repayments from Mr. Ng were mainly funded by Mr. Ng’s salary, business and investment income and his personal savings. The repayments from Success Base Group Holding were mainly funded by Success Base Group Holding’s business income. The repayments from One Studio, Fullmax, Sky Range, Nice Dragon, Success Land and One Production were mainly funded by their respective business income.

All amounts due from a Director, Success Base Group Holding, Success Land, Nice Dragon, Fullmax and One Production as at 31 December 2019 had been repaid by the declaration of special dividend by our Group in January 2020, details of which are set out in the paragraph headed “Dividends” in this section. Our Directors confirm that the remaining amounts due from One Studio and Sky Range will be repaid in full before Listing. The repayment of such remaining amounts has been taken up by Mr. Ng (as the ultimate sole beneficial shareholder) and his associates utilising their own financial resources.

During the Track Record Period, some of our bank borrowings were guaranteed by the personal and/or corporate guarantees of Mr. Ng and/or his associates and/or collaterals offered by Mr. Ng and/or his associates. To achieve financial independence, we have negotiated with relevant banks and were advised that the limit of our bank borrowings would be reduced without the relevant guarantees and/or collaterals. We plan to repay the shortfall between the amount borrowed and the reduced bank borrowings from the repayment of the remaining amounts due from One Studio and Sky Range before Listing so that the collaterals will be released, and the guarantees will be replaced by corporate guarantee to be provided by our Company upon Listing.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets forth our Group's indebtedness as at the respective dates indicated. As at 30 April 2020, being the latest practicable date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness", we do not have any debt securities, term loans, borrowings or indebtedness in the nature of borrowing, mortgages, charges, contingent liabilities or guarantees. Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 April 2020 and up to the date of this prospectus. Our Directors confirmed that as at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Non-current liabilities				
Lease liabilities	1,257	8,725	4,612	3,808
Current liabilities				
Lease liabilities	2,275	4,067	4,253	3,654
Borrowings	<u>280,602</u>	<u>282,268</u>	<u>381,507</u>	<u>361,606</u>
Total indebtedness	<u>284,134</u>	<u>295,060</u>	<u>390,372</u>	<u>369,068</u>

Borrowings

As at 31 December 2017, 2018 and 2019, and 30 April 2020, our Group had borrowings as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Bank overdraft	6,534	9,959	1,318	—
Bank borrowings	<u>274,068</u>	<u>272,309</u>	<u>380,189</u>	<u>361,606</u>
Total borrowings	<u>280,602</u>	<u>282,268</u>	<u>381,507</u>	<u>361,606</u>

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Banking facilities

As at 31 December 2017, 2018 and 2019, and 30 April 2020, our Group's borrowings were secured by, among others, personal and/or corporate guarantees provided by Mr. Ng and/or his associates and/or collaterals offered by Mr. Ng and/or his associates. The relevant collaterals will be released, and the relevant guarantees will be replaced by corporate guarantees to be provided by our Company upon Listing. As advised by the relevant banks, the limit of such bank borrowings would be reduced without the personal and/or corporate guarantees and/or collaterals offered by Mr. Ng and/or his associates. Our Group's bank borrowings include revolving loans, term loans, import loans, trust receipt loans and factoring. For further details of our Group's borrowings, please refer to Note 24 in the Accountant's Report in Appendix I to this prospectus.

The unutilised banking facilities as at 31 December 2017, 2018 and 2019, and 30 April 2020 amounted to approximately HK\$99.1 million, HK\$73.1 million, HK\$53.1 million and HK\$61.3 million, respectively.

Bank borrowings

As at 31 December 2017, 2018 and 2019, and 30 April 2020, our Group had bank borrowings repayable as follows:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Within one year	191,339	188,979	300,609	285,343
More than one year but not exceeding two years	4,281	7,875	10,286	6,252
More than two years but not exceeding five years	12,116	14,408	12,456	13,804
More than five years	<u>66,332</u>	<u>61,047</u>	<u>56,838</u>	<u>56,207</u>
Total	<u><u>274,068</u></u>	<u><u>272,309</u></u>	<u><u>380,189</u></u>	<u><u>361,606</u></u>

As at 31 December 2017, 2018 and 2019, the weighted average interest rates of the bank borrowings are approximately 3.35%, 3.34% and 3.73%, respectively.

FINANCIAL INFORMATION

Lease liabilities

Our Group has adopted HKFRS 16, by using the full retrospective approach with which the relevant accounting policies have been consistently applied throughout the Track Record Period. Leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position. For details, please refer to Note 2.1 in the Accountant's Report in Appendix I to this prospectus.

Our lease liabilities are attributed to our leased premises and motor vehicles under lease arrangements over the lease terms from 2 to 5 years which are measured at the present value of the lease payments that are not yet paid as set forth in the below table:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
Current portion	2,275	4,067	4,253	3,654
Non-current portion	1,257	8,725	4,612	3,808
Total	3,532	12,792	8,865	7,462

Contingent liabilities

As at 31 December 2017, 2018 and 2019 and 30 April 2020, we had contingent liabilities amounted to HK\$41.4 million, HK\$36.5 million and HK\$66.9 million and HK\$66.9 million, respectively, in respect of the surety bonds in favour of our customers for certain fitting-out contracts entered into in the ordinary course of our business. As at 31 December 2017, 2018 and 2019 and 30 April 2020, Mr. Ng, Ms. Zhao, Success Base Group Holding, and Success Base Engineering individually or together with the others provided personal and/or corporate guarantees of surety bonds in respect of five, five, seven and seven fitting-out contracts of our Group in its ordinary course of business respectively. The surety bonds and the corresponding amount of deposit pledged will usually only be released after the issuance of the certificate of practical completion or the certificate of making good defects, subject to contract terms.

During the Track Record Period and up to the Latest Practicable Date, we had a tenancy dispute with our landlord, further details of which are set out in the paragraph headed "Business — Legal proceedings and claims" in this prospectus and Note 29(ii) to the Accountant's Report set out in Appendix I to this prospectus.

Off-balance sheet arrangements and commitments

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or commitments.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth our Group's key financial ratios as at the dates or for the years/period indicated:

	As at/For the year ended 31 December		
	2017	2018	2019
Revenue growth ^(Note 1) (%)	N/A	39.0	14.5
Net profit growth ^(Note 2) (%)	N/A	31.1	(16.2)
Current ratio ^(Note 3) (times)	1.2	1.2	1.2
Quick ratio ^(Note 4) (times)	1.2	1.2	1.2
Gearing ratio ^(Note 5) (%)	278.9	241.7	250.7
Net debt to equity ratio ^(Note 6) (%)	269.8	236.8	241.7
Net profit margin ^(Note 7) (%)	5.5	5.2	3.8
Interest coverage ^(Note 8) (times)	4.0	4.9	3.6
Return on equity ^(Note 9) (%)	30.1	32.9	21.6
Return on total assets ^(Note 10) (%)	6.1	6.8	4.7

Notes:

1. Revenue growth is calculated by dividing the total revenue growth by the revenue from the previous year.
2. Net profit growth is calculated by subtracting the previous year's net profit from the current year's net profit and dividing the result by the previous year's net profit.
3. Current ratio represents current assets divided by current liabilities as of the end of year.
4. Quick ratio represents current assets (net of inventories) divided by current liabilities as of the end of year.
5. Gearing ratio represents total debt divided by total equity as of the end of period. Debt of our Group refers to bank borrowings and lease liabilities.
6. Net debt to equity ratio is calculated by dividing net debt by total equity as of the end of year. Net debt is defined to include all borrowings and lease liabilities net of cash and cash equivalents and pledged time deposits.
7. Net profit margin is calculated by the profit for the year divided by the revenue for the year.
8. Interest coverage represents profit before interest and tax divided by interest expenses recorded during the year.
9. Return on equity is calculated by the profit for the year, divided by total equity as of the end of year.
10. Return on total assets is calculated by the profit for the year, divided by total assets as of the end of year.

Revenue growth

Please refer to the paragraph headed "Period-to-period comparison of results of operations" in this section for more details.

FINANCIAL INFORMATION

Net profit growth

Please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section for more details.

Current ratio

As at 31 December 2017, 2018 and 2019, our Group’s current ratios remained relatively stable at approximately 1.2 times, 1.2 times and 1.2 times, respectively.

Quick ratio

As at 31 December 2017, 2018 and 2019, our Group’s quick ratios remained relatively stable at approximately 1.2 times, 1.2 times and 1.2 times, respectively.

Gearing ratio

As at 31 December 2017, 2018 and 2019, our Group’s gearing ratios were approximately 278.9%, 241.7% and 250.7%, respectively.

The decrease in our gearing ratio from 31 December 2017 to 31 December 2018 was primarily attributable to the increase in our total equity as a result of our profit and total comprehensive income recognised for the year ended 31 December 2018, despite the dividend paid to Mr. Ng in 2018.

The gearing ratio as at 31 December 2018 and 2019 remained relatively stable.

Net debt to equity ratio

As at 31 December 2017, 2018 and 2019, our Group’s net debt to equity ratios were approximately 269.8%, 236.8% and 241.7%, respectively.

The decrease in net debt to equity ratio from 31 December 2017 to 31 December 2018 was primarily attributable to the increase in our total equity for the reason as discussed above.

Our net debt to equity ratio as at 31 December 2018 and 2019 remained relatively stable.

Net profit margin

Our Group’s net profit margin for the years ended 31 December 2017, 2018 and 2019 were approximately 5.5%, 5.2% and 3.8%, respectively.

For further details of the comparison of our net profit margins during the Track Record Period, please refer to the paragraph headed “Period-to-period comparison of results of operations” in this section.

FINANCIAL INFORMATION

Interest coverage

Our Group had interest coverage of approximately 4.0 times, 4.9 times and 3.6 times for the years ended 31 December 2017, 2018 and 2019, respectively. The increase in our interest coverage from 31 December 2017 to 31 December 2018 was mainly because our increase in profit before finance costs and income tax expenses for the year ended 31 December 2018 as explained above while our finance costs remained relatively stable.

The decrease in our interest coverage from approximately 4.9 times for the year ended 31 December 2018 to approximately 3.6 times for the year ended 31 December 2019 was mainly due to the combined effect of decrease in profit before finance costs and income tax expenses and increase in finance costs, which was mainly due to the increased utilisation of our bank borrowings.

Return on equity

Our Group's return on equity was approximately 30.1%, 32.9% and 21.6% for the years ended 31 December 2017, 2018 and 2019, respectively. Our return on equity remained relatively stable at approximately 30.1% for the year ended 31 December 2017 and approximately 32.9% for the year ended 31 December 2018.

Our return on equity decreased from approximately 32.9% for the year ended 31 December 2018 to approximately 21.6% for the year ended 31 December 2019, which was mainly due to the decrease in equity from approximately HK\$119.6 million as at 31 December 2018 to approximately HK\$153.2 million as at 31 December 2019, mainly contributed by the increase in retained earnings.

Return on total assets

Our Group's return on total assets was approximately 6.1%, 6.8% and 4.7% for the years ended 31 December 2017, 2018 and 2019, respectively. Our return on total assets remained relatively stable at approximately 6.1% for the year ended 31 December 2017 and approximately 6.8% for the year ended 31 December 2018.

Our return on total assets decreased from approximately 6.8% for the year ended 31 December 2018 to approximately 4.7% for the year ended 31 December 2019, which was mainly due to the decrease in our net profit attributable to owners of our Company which was contributed by the recognition of Listing expenses of approximately HK\$9.0 million during the period.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to certain financial risks including market risk, credit risk and liquidity risk in the ordinary course of our business. For further details of our financial risk management, please refer to Note 3 in the Accountant's Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

Related party transactions during the Track Record Period are set out in Note 28 to the Accountant's Report set out in Appendix I to this prospectus. Our Directors have confirmed that the transactions with the related parties were conducted on normal commercial terms and were fair and reasonable and in the interest of our Shareholders as a whole. Our Directors also believe that those transactions with related parties and amounts due to related parties did not distort our Group's results of operations during the Track Record Period.

LISTING EXPENSES

Based on the Offer Price of HK\$0.66 (being the mid-point of the Offer Price range stated in this prospectus), the estimated Listing expenses in connection with the Share Offer are approximately HK\$47.8 million, representing approximately 36.2% of the gross proceeds from the Share Offer. Among the estimated Listing expenses, (i) approximately HK\$32.2 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$15.6 million is expected to be recognised as expenses in our consolidated statements of comprehensive income, of which approximately HK\$9.0 million had been recognised during the Track Record Period and the remaining of approximately HK\$6.6 million is expected to be recognised during the year ending 31 December 2020. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2020 will be adversely affected by the estimated Listing expenses mentioned above.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to "Unaudited pro forma financial information" in Appendix II to this prospectus for details.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

DIVIDENDS

Success Base Engineering, as a private company in Hong Kong and now being part of our Group, did not declare dividends out of its profits available for distribution to its then shareholder(s) each and every year prior to and during the Track Record Period. Those profits that were not distributed became Success Base Engineering's retained earnings. Dividends of nil, HK\$20.0 million and nil were declared by Success Base Engineering during each of the years ended 31 December 2017, 2018 and 2019. The dividend had been fully paid by cash out of Success Base Engineering's internal funds subsequently.

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On 10 January 2020, our Group declared a special dividend in the amount of HK\$130.0 million, out of the profits of our Group available for distribution to pay to Mr. Ng, out of which (i) approximately HK\$128.1 million in the form of species of the receivables of our Group owed by Mr. Ng, Success Base Group Holding, Success Land, Nice Dragon, Fullmax and One Production; and (ii) the balance of approximately HK\$1.9 million be paid or settled as agreed between our Group and Mr. Ng. As at the Latest Practicable Date, such balance was settled in full by way of offsetting the amounts due from related companies.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend in a given year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements and economic outlook. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any properties.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. Please refer to Note 3 in the Accountant's Report in Appendix I to this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Please refer to the paragraph headed "Summary — Recent developments and no material adverse change" in this prospectus for details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND BUSINESS STRATEGIES

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for further details of our business objectives and strategies.

REASONS FOR THE LISTING

Our Directors believe that the Listing will benefit our Group in different aspects as discussed below:

Strengthen our financial position and implement our business strategies

According to the Frost & Sullivan Report, the total gross output value of the fitting-out works market is anticipated to increase from approximately HK\$70.6 billion in 2020 to approximately HK\$99.5 billion by the end of 2024 at a CAGR of approximately 9.0%. The gross output value generated from the residential fitting-out works is anticipated to increase from approximately HK\$29.3 billion in 2020 to approximately HK\$43.6 billion by the end of 2024 at a CAGR of approximately 10.4%, and such anticipated growth is attributable to the expected increase of supply of residential units and completion of several luxurious property development projects in Pak Shek Kok of New Territories. The gross output value generated from commercial fitting-out works is anticipated to increase from approximately HK\$37.2 billion in 2020 to approximately HK\$51.3 billion by the end of 2024 at a CAGR of approximately 8.4%, and such anticipated growth is attributable to the expected increase of more PRC enterprises and multinational enterprises establishing their office branch in Hong Kong in the future years. Also, as stated in the Frost & Sullivan Report, to accommodate the rapid urban growth and increasing population in Hong Kong, local property developers have actively purchased land sold by the Hong Kong government for residential and commercial uses, where large-scale residential or commercial projects are expected to be developed, giving rise to potential market opportunities and adequate market demand for fitting-out projects in the coming years.

Despite the current outbreaks of COVID-19 in Hong Kong, according to the Frost & Sullivan Report, it is anticipated once such outbreak is effectively controlled, the outlook for the fitting-out market will remain positive as supported by the strong domestic demand from the residential and commercial sectors in the long-run. According to the Frost & Sullivan Report, property projects in Hong Kong generally need to be planned long before completion as it usually takes about two to three years for site formation works and about three to four years for building and infrastructure works. Moreover, according to the Task Force on Land Supply, although the land supply for residential use will be substantially increased by 2026, there is still an obvious land shortage to meet the public needs of Hong Kong and hence, there will be a profound demand for residential buildings and the fitting-out market in Hong Kong is perceived to be less affected by social unrest and the outbreak of COVID-19.

Subsequent to the Track Record Period and up to the Latest Practicable Date, despite the outbreak of COVID-19, we have been awarded three new fitting-out contracts with an aggregate contract sum of HK\$356.4 million, which our Directors regard as evidence that the industry we are operating in is not substantially affected by the outbreak and that our business will remain sustainable going forward.

During the Track Record Period, we focused on providing fitting-out services and repair and maintenance services for residential and commercial properties in Hong Kong on a project-by-project basis. Our revenue increased by approximately HK\$215.4 million or 39.0% from approximately

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HK\$552.7 million for the year ended 31 December 2017 to approximately HK\$768.1 million for the year ended 31 December 2018; and increased by approximately HK\$111.3 million or 14.5% from approximately HK\$768.1 million for the year ended 31 December 2018 to approximately HK\$879.4 million for the year ended 31 December 2019. We also experienced a strong demand for our services during the Track Record Period as evidenced by a large number of tender invitations we received during the Track Record Period. We received 165, 220 and 210 tender invitations in the years ended 31 December 2017, 2018 and 2019, respectively.

According to the Frost & Sullivan Report, the fitting-out industry in Hong Kong is highly fragmented and competitive with a large number of market participants. With reference to the statistics from Construction Industry Council as of December 2019, there are 729 market participants providing fitting-out services in Hong Kong. Despite the large number of competitors, we ranked third among fitting-out contractors in Hong Kong market with a market share of approximately 1.2% in 2018 in terms of revenue. With the anticipated increase in demand for fitting-out services in the market and our proven track record, our Directors expect that our business will expand steadily going forward. We aim to further strengthen our financial position with the net proceeds from the Share Offer and to implement our business strategies as set out in the paragraphs headed “Business — Business strategies” in this prospectus and “Use of proceeds” in this section.

Enhance our corporate profile, brand awareness and competitiveness among business stakeholders

Our Directors believe that the Listing will enhance our corporate profile and brand awareness among our customers, suppliers and sub-contractors. Our Directors believe that our customers would prefer doing business with a listed company to a private company given the former’s greater transparency, and relevant regulatory supervision and stability generally. According to the Frost & Sullivan Report, among the top five market participants of the fitting-out market (by revenue) in 2018, our Group was the only participant that did not have a listing status. Our Directors believe that we have a genuine need to procure the Listing in order to maintain our competitiveness.

We believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would bolster our customers’, suppliers’ and sub-contractors’ confidence in us and thus, enhance our level of competitiveness in the fitting-out industry.

Besides, with the net proceeds as general working capital from the Share Offer, we may be able to offer more flexible payment arrangements with our suppliers and sub-contractors in exchange for a competitive quotation from them. In this way, we may have more control over our costs and may achieve a higher profit margin.

Enhance our staff morale and loyalty

We believe that a status of the Listing will be respected by our staff and job applicants. Our Directors consider that a listed company will offer extra job security and financial confidence as compared with a private company. As we are operating in an industry with labour shortage problem, improving work morale of our staff is considered as one of our essential tasks to do. In addition, our Directors are of the view that experienced staff are crucial to the continuing development of our Group and that a status of the Listing will enable us to retain our staff and attract more talents to join.

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Enlarge and diversify our shareholder base

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of privately held shares before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

We have a genuine funding need in order to expand our market share

More capital and financial resources are required in view of diversifying our customer base

As set out in the paragraphs headed “Business — Business strategies” and “Business — Customers — Customer concentration” in this prospectus, our Directors consider that our tendency to undertake more fitting-out projects of NW Group as property developer or SHK Group in the past may limit our customer portfolio and might not be beneficial to the long-term growth and development of our Group. In view of our plan to undertake more large-scale fitting-out projects of customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above per project to diversify our customer base and expand our market share, we expect that we would need more capital and financial resources to satisfy the relevant Upfront Costs and surety bond requirements.

Our cash and bank balances were just sufficient to maintain our existing business operations

As at 31 December 2017, 2018 and 2019, our cash and bank balances were approximately HK\$6.2 million, HK\$3.0 million and HK\$10.8 million, respectively. However, our trade payables amounted to approximately HK\$4.5 million, HK\$39.4 million and HK\$71.0 million, respectively. Should our customers fail to settle the progress payments in time, we may not have sufficient cash as expected to meet our payment obligations in relation to the costs incurred in our projects.

Further, we required an average monthly operating costs for our projects of approximately HK\$38.7 million, HK\$54.5 million and HK\$62.5 million (primarily including sub-contracting fees, material costs and employee benefit expenses) during the Track Record Period based on our total cost of services, respectively. In view of our business expansion during the year ended 31 December 2019, the average monthly operating costs for our projects for the year ended 31 December 2019 (i.e. approximately HK\$62.5 million) significantly exceeded our cash and bank balances as at 31 December 2018 (i.e. HK\$3.0 million). As such, our available cash during the Track Record Period was just sufficient for maintaining our existing business operations and would not allow sufficient room for further business expansion such as undertaking more large-scale fitting-out projects of customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above per project which would inevitably require more available cash for the Upfront Costs and surety bonds requirements.

Moreover, the outstanding contract value as at 31 December 2017, 2018 and 2019 were approximately HK\$743.5 million, HK\$613.3 million and HK\$801.6 million, respectively. Our cash and cash equivalents as at the dates indicated only accounted for less than 1.4% of our total estimated contract sum of our fitting-out projects in our backlog as at the same date. For details of our fitting-out projects in our backlog, please refer to the paragraph headed “Business — Projects — Fitting-out projects — Movement in the outstanding contract value of fitting-out projects” in this prospectus.

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Our Directors consider that without the additional funding from the Listing, our current cash and bank balances would only be sufficient to cover our current working capital needs, and may not be sufficient to provide any funding buffer for us to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the fitting-out industry or severe disasters, nor can they support our expansion plan for implementing our business strategies, as we expect that the cash outflow for our business operation will increase correspondingly when the number of large-scale fitting-out projects of customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above per project we take up increases along with our expansion plan.

Equity financing would be more preferable to debt financing

During the Track Record Period, we maintained a significant amount of bank borrowings as we could only rely on debt financing for the expansion of our business operations and funding our Upfront Costs and surety bonds requirements for our projects on hand. As at 30 April 2020, our bank borrowings amounted to approximately HK\$361.6 million, and we had approximately HK\$61.3 million of unutilised banking facilities, which means we have utilised approximately 83.0% of our existing total banking facilities as at 30 April 2020. Despite the fact that our Group was able to sustain our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, our Directors decided to extend to equity financing for the purpose of the expansion plan instead of solely relying on debt financing for the following reasons:

- (i) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal and/or corporate guarantee of our Directors and/or Controlling Shareholders. As we do not own any properties that can be used as collaterals, our Directors are of the view that it is relatively impracticable for us to obtain significant bank borrowings or further increase the limit of our available banking facilities on normal commercial terms without relying on corporate and/or personal guarantees and/or other form of collaterals provided by our Directors and/or Controlling Shareholders. During the Track Record Period, we obtained significant amount of bank borrowings as most of these borrowings were guaranteed by, among others, personal and/or corporate guarantees of Mr. Ng and/or his associates and/or collaterals offered by Mr. Ng and/or his associates. With no alternative funding, our Group may only rely on Mr. Ng and/or his associates for guarantees or collaterals to obtain further bank borrowings to fulfill our Upfront Costs and surety bonds requirements for new projects. Such arrangement of relying on financial assistance of Mr. Ng and his associates was not considered by our Directors as desirable to the future growth and development of our Group as our Group's business and development would be much affected by the financial conditions of Mr. Ng and his associates. As our Directors are determined to achieve financial independence from Mr. Ng and his associates in order to achieve sustainable growth of our Group, we intend that (1) the relevant collaterals will be released, and the relevant guarantees will be replaced by corporate guarantees to be provided by our Company upon Listing and (2) net proceeds receivable by us from the Share Offer will be applied to fulfill our Upfront Costs and surety bonds requirements for new projects. As at 30 April 2020, our Group had lent approximately HK\$185.2 million in total to Mr. Ng and his associates, and such amount will be fully settled prior to Listing. For further details, please refer to the paragraphs headed "Financial information — Dividends" and "Financial

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information — Analysis of various items in the consolidated statements of financial position — Amounts due from a Director, Success Base Group Holding and related companies” in this prospectus;

- (ii) solely relying on debt financing will result in significant interest expenses as well as increase of our Group’s gearing ratio, hence resulting in our Group having less attractive financing terms offered by banks and other financial institutions, as well as being rated less favourably by our customers when they assess our financial condition during the evaluation of our tender submissions;
- (iii) it is not required for us to retain a portion of our business income for loan repayment under equity financing and our Company can retain the flexibility and capability for business development of our Group and for dividend payment;
- (iv) the use of debt financing for a relatively significant amount and the subsequent renewal of the debt will subject our Group to risk of increasing financing costs if the interest rate rises; and
- (v) debt financing and equity financing are not mutually exclusive, while we will continue to obtain certain amount of banking facilities after the Listing alongside with equity financing, our Group may have a better position to bargain for more favourable terms from debt financiers if our Group has a larger equity base after the Listing and become a listed company.

Judging from the above, our Directors are of the view that equity financing would be more preferable to our Group and our Shareholders as a whole than debt financing in raising capital to finance our expansion plan.

The Listing will allow us to gain access to the capital market for fund raising, will assist our future business development and enhance our competitiveness. We will be able to use secondary fund raising after the Listing for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers and sub-contractors.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.66 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, we estimate that the net proceeds receivable by us from the Share Offer (after deducting underwriting fees and commission and estimated expenses in connection with the Share Offer) will be approximately HK\$84.2 million. We intend to apply such net proceeds in the following manner:

Payment of Upfront Costs for new projects

Approximately 36.7% of the net proceeds (approximately HK\$30.9 million) for payment of Upfront Costs such as payment of costs of materials and sub-contracting charges for new projects.

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As discussed in the paragraph headed “Business — Business strategies — Strengthen our financial position to satisfy our Upfront Costs and surety bonds requirements”, we expect to incur a substantial amount of funds to satisfy the Upfront Costs requirement for our new fitting-out projects of customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above. During the Track Record Period, our Upfront Costs for fitting-out projects of customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above amounted to approximately 14.2% of the contract sum on average, and such Upfront Costs were generally recouped in full only after approximately 13.0 months on average since they have been incurred, resulting in substantial net cash outflow during the relevant period.

Our customers may make advance payments to us before the projects commence according to contract terms. From our experience during the Track Record Period, advance payments from our customers are usually subject to negotiation on a case-by-case basis and not guaranteed, and advance payments are normally not available from new customers as there is no previously established business relationship with those new customers. From our past experience and to the best knowledge of our Directors, we may not usually receive advance payments for most of the fitting-out projects of customers other than NW Group as property developer and SHK Group. During the Track Record Period, we only received advance payments for two fitting-out projects from customers other than NW Group as property developer and SHK Group.

As at the Latest Practicable Date, we had a total of 39 fitting-out projects on hand, which included fitting-out projects that have commenced but not completed and fitting-out projects that have been awarded to us but not yet commenced, with an aggregate total contract sum of HK\$2,932.6 million. Among these projects on hand, 21 projects (seven are from NW Group as property developer or SHK Group, and the remaining 14 are from customers other than NW Group as property developer and SHK Group) were with total contract sum of HK\$50.0 million or above. The aggregate total contract sum of these 21 projects amounted to approximately HK\$2,566.4 million.

These projects or our other potential projects would entail stronger revenue stream but at the same time, we may need to bear a substantial amount of Upfront Costs for those fitting-out projects of customers other than NW Group as property developer and SHK Group, which may tie up our resources during the early stage of the projects. If we experience net cash outflows for several of these 14 projects simultaneously at the same time, our liquidity may be adversely affected. We funded the Upfront Costs and surety bonds requirements for our existing fitting-out projects on hand that have commenced as at the Latest Practicable Date mainly by way of debt financing. However, as discussed in the paragraph headed “Reasons for the Listing — We have a genuine funding need in order to expand our market share — Equity financing would be more preferable to debt financing” in this section, continuing to rely solely on debt financing to fulfill our Upfront Costs and surety bonds requirements for new projects would mean continuous reliance on Mr. Ng and/or his associates for guarantees or collaterals to obtain further bank borrowings, which is considered by our Directors as unfavourable to our future growth development. We therefore plan to fund the Upfront Costs and/or surety bonds (which are expected to be paid and/or issued after the Listing Date) of the awarded projects and potential projects which we expect to have a high chance to secure with the net proceeds from the Share Offer, and finance the balance, if any, by our internal resources and/or bank borrowings. While it may not be certain to the Directors of the amount of bank borrowing that can be obtained with the corporate guarantee of the Company after

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Listing, our Directors are of the view that as cash outflow situation would usually improve as the project progresses, the profits generated by the awarded projects and the existing projects on hand would be able to provide financial resources to fulfill such extra Upfront Costs and surety bond requirements.

Our awarded projects with awarded contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had been awarded two fitting-out projects of customers other than NW Group as property developer and SHK Group with expected contract sum of HK\$50.0 million or above (collectively, “**Awarded Projects**”) with details set out below:

Project code	Location	Type of project	Expected project duration <small>(Note 1)</small>	Expected time of paying Upfront Costs <small>(Note 4)</small>	Expected time of issuing surety bond <small>(Note 4)</small>	Expected contract sum <small>(if any)</small> <small>(Note 2)</small> <i>HK\$'000</i>	Expected Upfront Costs amount <small>(if any)</small> <small>(Note 2)</small> <i>HK\$'000</i>	Expected surety bond amount <small>(if any)</small> <small>(Note 3)</small> <i>HK\$'000</i>	Award date
P46	Wong Chuk Hang	Residential fitting-out project	From May 2020 to November 2023	From July 2020 to July 2021	July 2020	177,484	25,203	17,748	17 April 2020
P26	Ap Lei Chau	Residential fitting-out project	From April 2020 to November 2024	From June 2020 to June 2021	June 2020	172,664	24,499	17,266	3 March 2020
							49,702	35,014	

Notes:

- The commencement of the expected project is determined based on the date of the letter of acceptance (or equivalent document) or contract or first payment application to customer while the completion of the expected project is determined based on the date the final account was concluded, or based on our Directors' estimation and may be subject to change taking into account the actual work schedule and variation orders (if any) and in the future.
- The estimated sum of Upfront Costs represents approximately 14.2% of the contract sum on average, based on our Directors' experience and taking into account our fitting-out projects of customers other than NW Group as property developer and SHK Group with an original contract sum of HK\$50.0 million or above undertaken during the Track Record Period.
- Usually, the tender invitation documents would specify if we are required to provide surety bonds to customers for the relevant projects. For the projects where we were required to provide surety bonds, the sum of surety bond required was equivalent to 10% of the original contract sum as specified in the tender invitation documents.
- The estimated time of paying Upfront Costs and expected time of issuing surety bond are based on our Directors' experience and taking into account our fitting-out projects of customers other than NW Group as property developer and SHK Group with an original contract sum of HK\$50.0 million or above undertaken during the Track Record Period. The exact time when we would be required to bear the Upfront Costs or obtain surety bond for our projects awarded is largely determined by the customer in practice.

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Based on such aggregate awarded contract sum of approximately HK\$350.1 million and our relevant historical Upfront Costs of approximately 14.2% of the contract sum on average, we expect to incur relevant Upfront Costs of approximately HK\$49.7 million in aggregate and reserve amounts of approximately HK\$35.0 million in aggregate to pledge as deposits for issuance of the relevant surety bonds in aggregate, where all the Upfront Costs and surety bonds required are expected to be paid and/or issued after the Listing Date.

Our potential projects with expected contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group

Please refer to the table in the paragraph headed “Business — Projects — Fitting-out projects — Details of fitting-out projects we had submitted tenders as at the Latest Practicable Date — For customers other than NW Group as property developer and SHK Group” in this prospectus for details of our potential fitting-out projects with expected contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group as at the Latest Practicable Date. The aggregate expected contract sum of our potential fitting-out projects pending release of results of customers other than NW Group as property developer and SHK Group with expected contract sum of HK\$50.0 million or above as at the Latest Practicable Date is approximately HK\$1,857.4 million. Our historical average overall tender success rate for customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above for the two years ended 31 December 2018 (only the historical average overall tender success rate for the two years ended 31 December 2018 is used to calculate the expected contract sum as it might take around ten months from receiving tender invitation to the award of contract during the Track Record Period) is approximately 19.4%. Based on such aggregate expected contract sum and tender success rate, we expect that we may have a reasonable chance to receive estimated awarded contract sum of approximately HK\$360.3 million.

In particular, our Directors are of the opinion that we have a high chance of obtaining the projects with project codes P23 and P52.

For P23, we have first submitted our tender application in October 2019 with a tendered amount of approximately HK\$482.6 million. After a few rounds of tender queries and we were requested by the customer to attend tender interview. Afterwards, the customer discussed follow-up issues and we were in the process of addressing various tender queries and negotiating the particulars of our tender submission with the customers who gave regular feedback. We have worked with such customer for fitting-out projects of similar nature and scope (smaller in scale) and our Directors believe that our previous experience and proven track record had demonstrated to the customer of our expertise and ability. From our past experience and to the best knowledge of our Directors, if we are asked to provide best offer to customers, we are usually close to the final stage of tender selection by customers. As such, having been asked to provide best offer to customer, our Directors believe we have a high chance in winning this project.

For P52, we have first submitted our tender application in March 2020 with a tendered amount of approximately HK\$72.9 million. We are currently working on a fitting-out project with such customer and our Directors believe that our quality work had demonstrated to the customer of our expertise and ability. As we have been asked to provide best offer in a relatively short period of time after we

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submitted our tender, our Directors believe we have a high chance in winning this project. As at the Latest Practicable Date, we have received verbal indication that our tender application is subject to the final approval of the top management of the customer.

Based on the awarded contract sum of approximately HK\$350.1 million and the estimated aggregate original contract sum of approximately HK\$555.5 million for our potential projects which we expect to have a high chance to secure, and our relevant historical Upfront Costs of approximately 14.2% of the contract sum on average, we expect to incur relevant Upfront Costs of approximately HK\$49.7 million for our awarded projects as at the Latest Practicable Date and approximately HK\$78.9 million for our potential projects which we expect to have a high chance to secure. We intend to finance the balance of the Upfront Costs by our internal resources and bank borrowings.

Obtaining surety bonds

Approximately 53.3% of the net proceeds (approximately HK\$44.9 million) for obtaining surety bonds.

As discussed in the paragraph headed “Business — Business strategies — Strengthen our financial position to satisfy our Upfront Costs and surety bonds requirements”, we expect to incur a substantial amount of funds to satisfy the surety bonds requirement for our new fitting-out projects of customers other than NW Group as property developer and SHK Group with contract sum of HK\$50.0 million or above. During the Track Record Period, if we worked on fitting-out projects of customers other than NW Group as property developer and SHK Group, we were often required to provide surety bonds in the amount of certain percentage, usually equivalent to 10%, of the original contract sum, in favour of our customer to ensure our due performance. As at the Latest Practicable Date, we have been notified by major insurance companies in Hong Kong that we will have to pledge deposits representing full amount of the value of the surety bonds for any surety bonds to be issued for newly-awarded fitting-out projects (those usually include newly-awarded fitting-out projects of customers other than NW Group as property developer and SHK Group) until the surety bonds for our current fitting-out projects are released. As at the Latest Practicable Date, our Directors expect that the earliest time for our current surety bonds to be released in part will be July 2021.

As set out in the table in the paragraph headed “Business — Projects — Fitting-out projects — Details of fitting-out projects we had submitted tenders as at the Latest Practicable Date — For customers other than NW Group as property developer and SHK Group” in this prospectus, as specified in the tender invitation documents, we are required to provide surety bonds to customers for all the relevant potential projects. Given that our Directors expect that the earliest time for our current surety bonds to be released in part will be July 2021, we expect that we will have to pledge deposits representing full amount of the value of the surety bonds for any of those to be issued for newly-awarded fitting-out projects that require us to obtain surety bonds before July 2021. Based on the awarded contract sum of approximately HK\$350.1 million and the estimated aggregate original contract sum of approximately HK\$555.5 million for our potential projects which we expect to have a high chance to secure as set out in the paragraphs headed “Use of proceeds — Payment of Upfront Costs for new projects — Our awarded projects with awarded contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group” and “Use of proceeds — Payment of Upfront Costs for new projects — Our potential projects with expected contract sum of HK\$50.0 million or above for customers other than NW Group as property developer and SHK Group”

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in this section, we expect that we would have to reserve approximately HK\$35.0 million and HK\$55.6 million to pledge as deposits for issuance of the relevant surety bonds, respectively. We intend to finance the balance of the surety bonds by our internal resources and/or bank borrowings. From our previous experience, it is not likely that our customers would agree to waive the surety bond requirements if such requirements are already specified in the tender invitation documents. According to the Frost & Sullivan Report, fitting-out companies, regardless of the listing status, are generally required to fulfill relevant surety bonds requirements and such requirements cannot be waived. During the Track Record Period and up to the Latest Practicable Date, there was only one residential fitting-out project that we secured from a customer other than NW Group as property developer and SHK Group in which we were not required to provide any surety bond under the tender invitation documents. To the best knowledge of our Directors, that customer was not an active player in the market engaging in residential or commercial property projects and that customer did not engage in other residential or commercial property projects during the Track Record Period and up to the Latest Practicable Date, and we did not receive any other tender invitations from that customer during the Track Record Period and up to the Latest Practicable Date.

We recognised that there is inherent uncertainty involved in predicting when the results for the tenders we submitted or to be submitted are released, whether we would be selected or when exactly we would be required to bear the Upfront Costs or obtain surety bond for the awarded projects, as the decision/time to award contract and project timetable is largely determined by the customer. Based on the foregoing, the allocation of the net proceeds for Upfront Costs and surety bonds of our projects will be reviewed regularly depending on the projects in our pipeline from time to time.

General working capital

Approximately 10.0% of the net proceeds (approximately HK\$8.4 million) for general working capital of our Group.

Assuming that the Over-allotment Option is not exercised at all, if the final Offer Price is set at the high-end or low-end point of the indicative Offer Price range, the net proceeds from the Share Offer will increase or decrease by approximately HK\$4.7 million, respectively.

Assuming that the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees payable by us, will be approximately (i) HK\$16.4 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.69 per Offer Share; (ii) HK\$15.6 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$0.66 per Offer Share; and (iii) HK\$14.9 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.63 per Offer Share.

The net proceeds will be used in the same proportions as disclosed above irrespective of (i) whether the Offer Price is fixed at the high-end or low-end point of the indicative Offer Price range; and (ii) whether the Over-allotment Option is exercised.

If there is any material change to the use of proceeds as disclosed above after the Listing, we will make the appropriate announcement(s) in due course.

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To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such net proceeds as short-term interest-bearing deposits with authorised licensed banks in Hong Kong.

IMPLEMENTATION PLAN

The tables below set forth a summary of our implementation plan:

	From Listing Date to 31 December 2020	Percentage of net proceeds
	<i>HK\$'000</i>	<i>%</i>
Payment of Upfront Costs for new projects	30,889	36.7
Obtaining surety bonds	44,861	53.3
General working capital	<u>8,417</u>	<u>10.0</u>
Total	<u><u>84,167</u></u>	<u><u>100.0</u></u>

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), each of the following persons will have interests and/or short positions in the Shares or underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who shall, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group:

Name of Substantial Shareholder	Capacity and nature of interests	Number of Shares held^(Note 1)	Approximate percentage of shareholding
Fate Investment	Beneficial owner	600,000,000	75%
Mr. Ng ^(Note 2)	Interest in controlled corporation	600,000,000	75%
Ms. Zhao ^(Note 3)	Interest of spouse	600,000,000	75%

Notes:

1. All interests stated are long positions.
2. Mr. Ng is interested in the entire issued share capital of Fate Investment and he is therefore deemed to be interested in the Shares held by Fate Investment by virtue of the SFO.
3. Ms. Zhao is the spouse of Mr. Ng and she is therefore deemed to be interested in the Shares held by Mr. Ng by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue is set out in the table below. The table is prepared on the basis of the Share Offer becomes unconditional and are completed in accordance with the relevant terms and conditions. It takes no account of any Shares which may be allotted, issued or repurchased by us pursuant to the general mandates granted to our Directors for the allotment and issue of Shares and the repurchase of Shares as referred to below. It also assumes the Over-allotment Option is not exercised and no Shares to be issued upon the exercise of the options that may be granted under the Share Option Scheme are issued.

<i>Authorised share capital</i>		<i>HK\$</i>
2,000,000,000	Shares	20,000,000
<i>Shares issued and to be issued, fully paid or credited as fully paid</i>		<i>HK\$</i>
10,100	Shares in issue as at the date of this prospectus	101
599,989,900	Shares to be issued pursuant to the Capitalisation Issue	5,999,899
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer ^(Note)	<u>2,000,000</u>
<u>800,000,000</u>	Shares in total	<u>8,000,000</u>

Note: If the Over-allotment Option is exercised in full, then 30,000,000 additional Shares will be issued resulting in a total issued share capital of 830,000,000 Shares with an aggregate nominal value of HK\$8,300,000.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, we must maintain the “minimum prescribed percentage” of 25% of our issued share capital in the hands of the public.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends or other distributions declared, made or paid on, or any other rights and benefits attaching to or accruing from, the Shares after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the major terms of which are set out in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles. For details, please see the paragraph headed “2. Articles of Association” in Appendix III to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of a rights issue, scrip dividend schemes or other similar arrangements, or a specific authority granted by the Shareholders, Shares with an aggregate number of Shares not exceeding the sum of (i) 20% of the aggregate number of Shares in issue and to be issued immediately following the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme); and (ii) if the general mandate to repurchase Shares referred to below is granted, the number of Shares which may be repurchased by us.

The general mandate will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable law to be held; or
- (c) the passing of an ordinary resolution of the shareholders of our Company in general meeting revoking or varying such mandate;

whichever occurs first.

Please refer to the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the section headed “Structure and conditions of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares not more than 10% of the aggregate number of Shares in issue following completion of the Share Offer.

This general mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of options which may be granted under share option scheme. Please refer to the paragraph headed “A. Further information about our Company — 8. Repurchase by our Company of our own securities” in Appendix IV to this prospectus for a summary of the relevant Listing Rules.

SHARE CAPITAL

The general mandate will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any other applicable law to be held; or
- (c) the passing of an ordinary resolution of the shareholders of our Company in general meeting revoking or varying such mandate;

whichever occurs first.

Please refer to the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder” in Appendix IV to this prospectus for further details of this general mandate.

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JOINT GLOBAL COORDINATORS

Lego Securities Limited
Business Securities Limited

JOINT BOOKRUNNERS

Lego Securities Limited
Business Securities Limited
HK Monkey Securities Limited

JOINT LEAD MANAGERS

Lego Securities Limited
Business Securities Limited
HK Monkey Securities Limited
China Tonghai Securities Limited
Orient Securities Limited
Realord Asia Pacific Securities Limited
Lee Go Securities Limited
Giraffe Capital Limited
Maxa Capital Limited

HONG KONG UNDERWRITERS

Lego Securities Limited
Business Securities Limited
HK Monkey Securities Limited
China Tonghai Securities Limited
Orient Securities Limited
Realord Asia Pacific Securities Limited
Lee Go Securities Limited
Maxa Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 20,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

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- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters), the Share Offer will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Joint Global Coordinators:
- that any statement contained in any of this prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the “**Relevant Documents**”), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or
 - that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or
 - any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and our Controlling Shareholders (the “**Warrantors**”) pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

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- any material change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group (“**Group Company**”); or
- any breach of, or any event or circumstance rendering untrue or incorrect in any material respect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or
- the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- our Company withdraws any of this prospectus, the Application Forms, the formal notice to be published in connection with the Hong Kong Public Offer, any supplemental offering materials, announcement, the roadshow materials and any other document published or issued by or on behalf of our Company or the International Underwriters for the purposes of or in connection with the International Placing, and where practicable made available to our Company prior to its publication or issuance (the “**Offer Documents**”) or the Share Offer; or
- any person (other than the Hong Kong Underwriters) has withdrawn its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- that a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- an authority or a political body or organisation in or affecting any of Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction in which our Group operates its business or relevant to any business of any Group Company (the “**Specific Jurisdictions**”) has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our executive Directors as set out in the section headed “Directors and parties involved in the Share Offer” in this prospectus; or
- any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) in their sole absolute opinion to be material; or

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- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) affecting any of Hong Kong or any other jurisdiction relevant to our Group; or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or
 - (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of the Specific Jurisdictions; or
 - (v) in the imposition of any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
 - (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the

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currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of our executive Directors as set out in the section headed “Directors and parties involved in the Share Offer” in this prospectus 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 or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Share Offer; or
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Share Offer; or
- (xv) non-compliance of this prospectus and the other Offer Documents or any aspect of the Share Offer with the Listing Rules or any other Laws applicable to the Share Offer; or
- (xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the consent of the Joint Global Coordinators; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

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which in each case of (a) or (b) above individually or in aggregate in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or position or prospects or risks of our Company or our Group or any Group Company or on any present or prospective shareholder of our Company in his, her or its capacity as such; or
- (b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Share Offer, the Over-allotment Option or the Stock Borrowing Agreement, it/he shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company 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 that it/he is shown to beneficially own in this prospectus (the "**Relevant Shares**"); or

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- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its/his shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any securities in our Company beneficially owned by it/him in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it/him will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that except pursuant to the Share Offer (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance

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over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

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By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

- (i) at any time during the First Six-Month Period, it/he shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him and the companies controlled by it/him (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him directly or indirectly through its/his Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depositary receipts; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) at any time during the Second Six-Month Period, it/he shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the Listing Rules) of our Company;

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- (iii) in the event that it/he enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he will:

- (i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Share Offer, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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The International Placing

International Underwriting Agreement

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please refer to the paragraph headed “Structure and conditions of the Share Offer — The International Placing” in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable after consultation with our Company in whole or in part at one or more times, by the Stabilising Manager on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 30,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Share Offer and at the Offer Price, to cover any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) an underwriting commission of 17.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters, but not the Hong Kong Underwriters. It is expected that the International Underwriters will receive an underwriting commission of 17.0% of the aggregate Offer Price in respect of all the International Placing Shares (including any International Placing Shares reallocated to and from the Hong Kong Public Offer). In addition, we shall pay to Business Securities Limited (for itself and on behalf of the Joint Global Coordinators) a mandatory additional incentive fee of 4.0% of the aggregate Offer Price of the Offer Shares from the Share Offer, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$0.66 (being the mid-point of the stated range of the Offer Price between HK\$0.69 and HK\$0.63), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Share Offer, are estimated to amount in aggregate to approximately HK\$47.8 million in total and are payable by us.

UNDERWRITING

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters (for themselves and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Hong Kong Public Offer as part of the Share Offer. The Share Offer comprises:

- (a) the Hong Kong Public Offer of initially 20,000,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offer”; and
- (b) the International Placing of initially 180,000,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- (c) apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- (d) apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 200,000,000 Offer Shares in the Share Offer will represent 25% of our enlarged share capital immediately after the completion of the Share Offer and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Share Offer and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 20,000,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Share Offer. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in “Conditions of the Share Offer”.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools:

- (e) **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and
- (f) **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offer and any application for more than 10,000,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offer) will be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation at the discretion of the Joint Global Coordinators, subject to the following:

1. where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer; and
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 60,000,000 Offer Shares (in the case of (1)), 80,000,000 Offer Shares (in the case of (2)) and 100,000,000 Offer Shares (in the case of (3)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively;
2. where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer in the circumstances described in paragraph 1(ii) or 2(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$0.63 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offer, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK\$0.69 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$2,787.81 for one board lot of 4,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK\$0.69 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 180,000,000 Offer Shares, representing 90% of the Offer Shares under the Share Offer. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the International Placing will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Placing Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed “The Hong Kong Public Offer — Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable after consultation with our Company by the Stabilising Manager (for itself and on behalf of the International Underwriters) at any time from the Listing Date within 30 days from the last date for lodging applications under the Hong Kong Public Offer, to require our Company to issue up to 30,000,000 Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Share Offer and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on 5 August 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Share Offer, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Manager may choose to enter into an agreement with Fate Investment, a controlling shareholder of our Company, to borrow, whether on its own or through its affiliates, up to 30,000,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Share Offer. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- (i) such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (ii) the maximum number of Shares to be borrowed from Fate Investment by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Fate Investment or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- (v) no payment will be made to Fate Investment by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICING AND ALLOCATION

Our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 10 July 2020 or such later date as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree.

The Offer Price will not be more than HK\$0.69 per Offer Share and is expected to be not less than HK\$0.63 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK\$0.69 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% fee, amounting to a total of HK\$2,787.81 for one board lot of 4,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$0.69, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares” in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice on our website at www.superland-group.com (the contents of the website do not form a part of this prospectus) and the website of the Stock Exchange at www.hkexnews.hk. Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Share Offer statistics as currently set out in “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares is conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- (b) the Offer Price having been agreed between us and the Joint Global Coordinators (on behalf the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 30 July 2020, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not proceed and will lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company on our website at www.superland-group.com and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 17 July 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 17 July 2020.

The Shares will be traded in board lots of 4,000 Shares each.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** Service at www.hkeipo.hk or the **IPO APP**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person and/or core connected person (as respectively defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HKeIPO White Form** service at www.hkeipo.hk or the **IPO APP**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Monday, 6 July 2020 from:

- (i) any of the following offices of the Underwriters:

Lego Securities Limited

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

Business Securities Limited

20–21/F, 83 Queen's Road East
Wanchai
Hong Kong

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HK Monkey Securities Limited

Suite 2302–2303, 23/F
Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong

China Tonghai Securities Limited

18/F–19/F, China Building
29 Queen's Road Central
Hong Kong

Orient Securities Limited

Room 3101, 31/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Realord Asia Pacific Securities Limited

Suite 2402, 24/F Jardine House
1 Connaught Place
Central
Hong Kong

Lee Go Securities Limited

Unit 02, 12/F, West Exchange Tower
322 Des Voeux Road Central
Hong Kong

Maxa Capital Limited

Flat 08, 19/F
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

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(ii) any of the branches of the following receiving banks:

DBS Bank (Hong Kong) Limited

Hong Kong Island	Head Office	G/F, The Center, 99 Queen's Road Central, Central
	Aberdeen Branch	Shops A & B, G/F, Units A & B, 1/F, On Tai Building, 1-3 Wu Nam Street, Aberdeen
Kowloon	Yaumatei Branch	G/F & 1/F, 131-137 Woo Sung Street, Yau Ma Tei
New Territories	Tuen Mun Town Plaza — SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 30 June 2020 until 12:00 noon on Monday, 6 July 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "TING HONG NOMINEES LIMITED — SUPERLAND GROUP HOLDINGS LIMITED PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Tuesday, 30 June 2020
- 9:00 a.m. to 5:00 p.m., Thursday, 2 July 2020
- 9:00 a.m. to 5:00 p.m., Friday, 3 July 2020
- 9:00 a.m. to 1:00 p.m., Saturday, 4 July 2020
- 9:00 a.m. to 12:00 noon, Monday, 6 July 2020

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To safeguard the health and safety of its employees and customers in light of the rapidly changing novel coronavirus situation in Hong Kong, the receiving bank referred to above may adjust its branch services (including branch operation hours) from time to time. For the latest arrangement on branch services, please refer to the DBS website at <https://www.dbs.com.hk/personal/default.page>.

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 6 July 2020, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather and/or extreme conditions on the opening of the applications lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

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- (viii) agree to disclose to our Company, the Sole Sponsor, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective directors, officers, agents, employees, advisers and representatives will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed and construed in accordance with the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund system payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

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- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO APP**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** or the **IPO APP** (24 hours daily, except on the last application day) from 9:00 a.m., Tuesday, 30 June 2020 until 11:30 a.m., Monday, 6 July 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Monday, 6 July 2020 or such later time under the paragraph headed “10. effects of bad weather and/or extreme conditions on the opening of the applications lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic

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application instruction under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators, the Joint Bookrunners and our Hong Kong Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

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- agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

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- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m., Tuesday, 30 June 2020
- 8:00 a.m. to 8:30 p.m., Thursday, 2 July 2020
- 8:00 a.m. to 8:30 p.m., Friday, 3 July 2020
- 8:00 a.m. to 12:00 noon, Monday, 6 July 2020

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Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m., Tuesday, 30 June 2020 until 12:00 noon, Monday, 6 July 2020 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon, Monday, 6 July 2020, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint

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Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Monday, 6 July 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk** or the **IPO APP**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the paragraph headed “Structure and conditions of the Share Offer — Pricing and allocation” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if:

- a tropical cyclone warning signal number 8 or above; or
- “extreme conditions” caused by a super typhoon; or
- a “black” rainstorm warning

is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 July 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 6 July 2020 or if a tropical cyclone warning signal number 8 or above or “extreme conditions” caused by a super typhoon or a “black” rainstorm warning signal is/are in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 16 July 2020 on our Company’s website at **www.superland-group.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.superland-group.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Thursday, 16 July 2020;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or from the "Allotment Result" function in the **IPO APP** with a "search by ID" function on a 24-hour basis from 9:00 a.m., Thursday, 16 July 2020 to 12:00 midnight on Wednesday, 22 July 2020;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 16 July 2020 to Tuesday, 21 July 2020 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 16 July 2020 to Monday, 20 July 2020 at all the receiving bank branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website or in the **IPO App**;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.69 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 16 July 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Thursday, 16 July 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 17 July 2020 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 16 July 2020 or such other date as notified by us on our website.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 16 July 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 16 July 2020, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 16 July 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Thursday, 16 July 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 16 July 2020, or such other date as notified by our Company on our website as the date of despatch/collection of Share certificates/e-Refund system payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 16 July 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund system payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 16 July 2020, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Thursday, 16 July 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 16 July 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 16 July 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 16 July 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUPERLAND GROUP HOLDINGS LIMITED AND LEGO CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of Superland Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019, the Company statement of financial position as at 31 December 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2019 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group in respect of the Track Record Period. No dividend has been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

30 June 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2017	2018	2019
		HK\$'000	HK\$'000	HK\$'000
Revenue	5	552,652	768,145	879,401
Cost of services	7	(470,774)	(660,473)	(759,675)
Gross profit		81,878	107,672	119,726
Other gains, net	6	685	284	452
Administrative expenses	7	(35,763)	(49,804)	(54,335)
Listing expenses	7	—	—	(9,016)
Impairment loss on trade receivables	19	—	—	(950)
Profit before finance income and costs and income tax expenses		46,800	58,152	55,877
Finance income	10	1,995	2,047	2,110
Finance costs	10	(12,280)	(12,356)	(16,171)
Profit before income tax		36,515	47,843	41,816
Income tax expense	11	(5,882)	(7,674)	(8,141)
Profit and total comprehensive income for the year attributable to owners of the Company		<u>30,633</u>	<u>40,169</u>	<u>33,675</u>
Earnings per share attributable to the owners of the Company				
Basic and diluted (expressed in HK\$ per share)	12	<u>3.03</u>	<u>3.98</u>	<u>3.33</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at <u>31 December</u> <u>2017</u>	As at <u>31 December</u> <u>2018</u>	As at <u>31 December</u> <u>2019</u>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Plant and equipment	14	4,707	13,051	10,836
Right-of-use assets	15	3,366	12,267	8,569
Investments in insurance contracts	16	11,764	14,335	14,792
Other receivables, deposits and prepayments	19	6,484	5,774	18,003
Deferred income tax assets	17	109	—	631
		<u>26,430</u>	<u>45,427</u>	<u>52,831</u>
Current assets				
Trade receivables	19	39,313	33,229	131,057
Other receivables, deposits and prepayments	19	47,905	42,349	34,334
Contract assets	20	67,581	171,745	164,193
Amount due from a director of the Company	26	88,748	74,929	81,791
Amount due from Success Base Group Holding Limited	27	34,812	28,812	28,812
Amounts due from related companies	27	190,988	191,996	203,465
Current income tax recoverable		1,276	—	—
Pledged time deposits	21	3,030	3,067	3,100
Cash and cash equivalents	21	6,177	2,961	10,847
		<u>479,830</u>	<u>549,088</u>	<u>657,599</u>
Total assets		<u>506,260</u>	<u>594,515</u>	<u>710,430</u>
EQUITY				
Equity attributable to the owners of the Company				
Share capital	22	—	—	—
Capital reserve	22	2,500	2,500	2,500
Retained earnings		99,393	119,562	153,237
Total equity		<u>101,893</u>	<u>122,062</u>	<u>155,737</u>

		As at <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	As at <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	As at <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
	<i>Note</i>			
LIABILITIES				
Non-current liabilities				
Lease liabilities	<i>15</i>	<u>1,257</u>	<u>8,725</u>	<u>4,612</u>
		<u>1,257</u>	<u>8,725</u>	<u>4,612</u>
LIABILITIES				
Current liabilities				
Trade payables	<i>23</i>	4,503	39,371	71,016
Accruals, retention payables and other liabilities	<i>23</i>	34,894	52,290	55,741
Lease liabilities	<i>15</i>	2,275	4,067	4,253
Contract liabilities	<i>20</i>	80,836	84,615	27,675
Borrowings	<i>24</i>	280,602	282,268	381,507
Deferred tax liabilities	<i>17</i>	—	19	—
Current income tax payables		<u>—</u>	<u>1,098</u>	<u>9,889</u>
		<u>403,110</u>	<u>463,728</u>	<u>550,081</u>
Total liabilities		<u>404,367</u>	<u>472,453</u>	<u>554,693</u>
Total equity and liabilities		<u>506,260</u>	<u>594,515</u>	<u>710,430</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at
		31 December
		2019
	<i>Note</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Investments in subsidiaries (<i>Note b</i>)		151,752
Current assets		
Prepayment	19	2,803
Amount due from immediate holding company (<i>Note a</i>)		<u>—</u>
		<u>2,803</u>
Total assets		<u><u>154,555</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital (<i>Note a</i>)		—
Capital reserve	22	151,752
Accumulated losses		<u>(9,016)</u>
Total equity		<u>142,736</u>
LIABILITIES		
Current liabilities		
Other payables	23	5,344
Amount due to a subsidiary	27	<u>6,475</u>
Total liabilities		<u>11,819</u>
Total equity and liabilities		<u><u>154,555</u></u>

Notes:

- (a) As at 31 December 2019, the Company had amount due from immediate holding company of HK\$7.8 and share capital of 1 United States dollar.
- (b) The investments in subsidiaries as at 31 December 2019 represents the carrying values of the net assets of the Listing Business attributable to owner of the Company transferred to the Company upon the completion of the Reorganisation (Note 1.2).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to owners of the Company</u>			
	<u>Share capital</u>	<u>Capital reserve</u>	<u>Retained earnings</u>	<u>Total</u>
	<i>(Note 22)</i> <i>HK\$'000</i>	<i>(Note 22)</i> <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>				
Balance as at 1 January 2017	—	2,500	68,760	71,260
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>30,633</u>	<u>30,633</u>
Balance as at 31 December 2017	<u>—</u>	<u>2,500</u>	<u>99,393</u>	<u>101,893</u>
Balance as at 1 January 2018	—	2,500	99,393	101,893
Profit and total comprehensive income for the year	—	—	40,169	40,169
Dividends	<i>13</i> <u>—</u>	<u>—</u>	<u>(20,000)</u>	<u>(20,000)</u>
Balance as at 31 December 2018	<u>—</u>	<u>2,500</u>	<u>119,562</u>	<u>122,062</u>
Balance as at 1 January 2019	—	2,500	119,562	122,062
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>33,675</u>	<u>33,675</u>
Balance as at 31 December 2019	<u>—</u>	<u>2,500</u>	<u>153,237</u>	<u>155,737</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2017	2018	2019
	<i>Note</i> HK\$'000	HK\$'000	HK\$'000
Cash flows from operating activities			
Profit before income tax	36,515	47,843	41,816
Adjustments for:			
Interest income	(1,995)	(2,047)	(2,110)
Interest expenses	12,280	12,356	16,171
Net gains on changes in surrender values of investments in insurance contracts	(369)	(293)	(457)
Loss on disposal of plant and equipment	—	34	17
Impairment loss on trade receivables	—	—	950
Depreciation of plant and equipment	245	3,235	4,861
Depreciation of right-of-use assets	3,197	6,005	3,931
	49,873	67,133	65,179
Changes in working capital:			
Trade receivables	53,835	6,084	(98,778)
Trade receivables from a director of the Company/a related company	—	—	(8,821)
Other receivables, deposits and prepayments	(4,711)	6,266	(1,411)
Contract assets	(14,283)	(104,164)	7,552
Contract assets from a director of the Company	—	—	(219)
Trade payables	(27,444)	34,868	31,645
Accruals, retention payables and other liabilities	13,586	17,396	3,451
Contract liabilities	3,230	3,779	(56,940)
Net cash generated from/(used in) operations	74,086	31,362	(58,342)
Income tax paid	(12,747)	(5,172)	—
Net cash generated from/(used in) operating activities	61,339	26,190	(58,342)

	<i>Note</i>	Year ended 31 December		
		2017	2018	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from investing activities				
Purchase of plant and equipment		(4,200)	(11,613)	(2,677)
Addition of right-of-use assets		(83)	—	—
Proceeds from disposal of plant and equipment		—	—	14
Interest received		1,995	2,047	2,110
Premium paid for insurance contracts		—	(2,278)	—
Advance to Success Base Group Holding Limited		(835)	(4,992)	—
Repayment from Success Base Group Holding Limited		—	10,992	—
Repayment to a related company		(9,392)	—	—
Advance from a related company		87	—	—
Advance to related companies		(4,253)	(1,008)	(4,153)
Repayment from related companies		1,704	—	58
Advance to a director of the Company		(43,190)	(23,760)	(5,683)
Repayment from a director of the Company		3,237	37,579	487
Net cash (used in)/generated from investing activities		(54,930)	6,967	(9,844)
Cash flows from financing activities				
Increase in pledged time deposits	25	(19)	(37)	(33)
Interest paid		(12,280)	(12,356)	(16,171)
Repayments of lease liabilities	25	(3,081)	(5,646)	(4,160)
Drawdown of borrowings	25	651,609	700,760	1,087,689
Repayment of borrowings	25	(652,196)	(702,519)	(979,809)
Dividend paid		—	(20,000)	—
Listing expenses paid		—	—	(2,803)
Net cash (used in)/generated from financing activities		(15,967)	(39,798)	84,713

		<u>Year ended 31 December</u>		
		<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	Net (decrease)/increase in cash and cash equivalents	(9,558)	(6,641)	16,527
	Cash and cash equivalents at beginning of the year	<u>9,201</u>	<u>(357)</u>	<u>(6,998)</u>
	Cash and cash equivalents at end of the year	<u>21</u> <u>(357)</u>	<u>(6,998)</u>	<u>9,529</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganisation and basis of presentation****1.1 General information**

The Company was incorporated in the Cayman Islands on 11 July 2019 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") provide fitting-out services and repair and maintenance services to residential and commercial properties in Hong Kong (the "Listing Business"). The ultimate holding company of the Company is Fate Investment Company Limited. The ultimate controlling shareholder of the Group is Ng Chi Chiu ("Mr. Ng").

1.2 Reorganisation

Prior to the completion of the Reorganisation as described below, the Listing Business was primarily carried out by Success Base Engineering Limited ("Success Base Engineering"), a company incorporated in Hong Kong.

In preparation for initial listing of the Company's shares on Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation ("the Reorganisation") to transfer the Listing Business to the Company principally through the following steps:

- (1) On 10 July 2019, Fate Investment Company Limited ("Fate Investment") was incorporated in the British Virgin Islands. One fully paid ordinary share of Fate Investment, representing the entire issued share of Fate Investment, was allotted and issued to Mr. Ng on 10 July 2019.
- (2) On 11 July 2019, the Company was incorporated in the Cayman Islands. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01 each. Upon incorporation of the Company, one ordinary share was allotted and issued as fully paid at par value to an initial subscriber, being an independent third party. On the same day, such share was transferred to Fate Investment, and a further of 99 ordinary shares were allotted and issued as fully paid at par value to Fate Investment. Accordingly, the Company became a direct wholly owned subsidiary of Fate Investment.
- (3) On 12 July 2019, Team World Company Limited ("Team World") was incorporated under the laws of BVI with limited liability and is authorised to issue a maximum of 50,000 shares with no par value. One fully paid share of Team World, representing the entire issued share of Team World, was allotted and issued to the Company on 12 July 2019. Accordingly, Team World became a direct wholly owned subsidiary of the Company.
- (4) On 9 December 2019, Mr. Ng entered into a sales and purchase agreement with Success Base Group Holding Limited, Team World, and the Company, pursuant to which each of Mr. Ng and Success Base Group Holding Limited agreed to transfer his/its 1,000 shares and 2,499,000 shares in Success Base Engineering (together representing the entire issued share capital in Success Base Engineering) to Team World, in consideration of the Company allotting and issuing 10,000 shares to Fate Investment.

As a result of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operations	Issued and fully paid up share capital	Equity interest held as at 31 December 2017, 2018 and 2019	As at the date of this report	Notes
Direct Interests						
Team World Company Limited	BVI, 12 July 2019	Investment holding, British Virgin Islands	US\$1	N/A, N/A, 100%	100%	(a)
Indirect Interests						
Success Base Engineering Limited	Hong Kong, 5 January 2004	Provision of fitting-out services and repair and maintenance services to residential and commercial properties, Hong Kong	HK\$2,500,000	N/A, N/A, 100%	100%	(b)

Note:

- (a) No audited statutory financial statements have been prepared for this subsidiary as it was newly incorporated and there are no statutory audit requirements under the applicable law in the place of incorporation of the entity.
- (b) Its financial statements for the years ended 31 December 2017 and 2018 were audited by PricewaterhouseCoopers, Hong Kong. The statutory financial statements of this subsidiary for the year ended 31 December 2019 have yet to be issued.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business was mainly conducted through Success Base Engineering, and ultimately controlled by Mr. Ng. Pursuant to the Reorganisation, Success Base Engineering was transferred to and held indirectly by the Company. As the Company and Team World had not been involved in any other business prior to the Reorganisation and does not meet the definition of a business, the Reorganisation is merely a recapitalisation of the Listing Business with no change in business substance, management of such business and the ultimate controlling shareholder of Success Base Engineering remains the same. Accordingly, the Historical Financial Information of the companies now comprising the Group is presented using the carrying values of Success Base Engineering for all periods presented for the purpose of this report.

Inter-company transactions, balances and unrealised gains/losses on transactions among the group companies are eliminated on combination.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Historical Financial Information have been prepared under the historical cost convention except for investments in insurance contracts which are measured at the cash surrender value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

In preparation of Historical Financial Information, all of the new standards, amendments to standards and interpretations including HKFRS 9 "Financial instruments" ("HKFRS 9") and HKFRS 15 "Revenue from contracts with customers" ("HKFRS 15"), which are mandatory for the financial year beginning 1 January 2018, and HKFRS 16 "Leases" ("HKFRS 16"), which is mandatory for the financial year beginning 1 January 2019, are adopted and consistently applied to the Group throughout the Track Record Period.

New standards and amendments to standards which are not yet effective

The following new standards and amendments to standards that have been issued but are not yet effective for the Track Record Period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual framework for financial reporting 2018		1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)		1 January 2020

The Group has already commenced an assessment of the impact of these new and amended standards. According to the preliminary assessment made by the directors of the companies now comprising the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 *Segment reporting*

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairman of the Group that makes strategic decisions.

2.4 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 *Plant and equipment*

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is 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 charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs net of their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of lease term or 5 years
Machinery	3 years
Office equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

2.6 *Impairment of non-financial assets*

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 *Financial assets*

(a) *Classification*

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- (a) The asset is held within a business model whose objective is to collect the contractual cash flows; and
- (b) The contractual terms give rise to cash flows that are solely payments of principal and interest.

Management determines the classification of its financial assets at initial recognition. The Group reclassifies debt investments when and only when its business model for managing the assets changes.

If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Company's and the Group's financial assets comprise trade receivables, other receivables and deposits, amounts due from a director of the Company/Success Base Group Holding Limited/related companies, cash and cash equivalents and pledged time deposits.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in the consolidated statements of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statements of comprehensive income and presented in "other gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including deposits and other receivables and amounts due from a director of the Company/Success Base Group Holding Limited/related companies, management considers that their credit risks have not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

2.8 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group does not have any offsetting arrangements throughout the Track Record Period.

2.9 *Investments in insurance contracts*

The Group acquired management life insurance contracts, which include both investment and insurance elements. The investment insurance contracts are initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the insurance contract (cash surrender value) at the end of each reporting period, with changes in value recognised in the consolidated statements of comprehensive income.

2.10 *Trade and other receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 *Contract assets and contract liabilities*

In accordance with the terms of the contracts entered into with customers, the Group are required to submit to customers payment applications for the value of work done under the contracts along with any variation orders performed. Customers will settle normally in 30-90 days after invoicing depending on the nature of services. Customers usually retain an amount up to 10% of the value of work done, subject to a maximum limit of 5% of the original contract sum as retention money for the contract. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defects liability period and the discussion of final accounts.

A contract asset represents the Group's right to consideration from customers in exchange for the provision of fitting-out services that the Group has transferred to the customers that is not yet unconditional. Contract assets arise when the Group has provided the fitting-out services under the relevant contracts but the works have yet to be certified by architects, quantity surveyors or other representatives appointed by the customers and/or the Group's right to payment is still conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivable at the point when the Group's right to payment becomes unconditional other than passage of time.

A contract liability represents the Group's obligation to transfer the aforesaid services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.12 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank deposits with original maturities of three months or less, and bank overdrafts. In the consolidated statements of financial position, bank overdrafts are shown within "borrowings" in current liabilities.

2.13 Pledged time deposits

Pledged time deposits represent fixed deposits pledged to the banks for issuance of bank facilities and bank borrowings. Such pledged time deposits can be released when the Group repays the bank borrowings or withdrawn at any time if other qualified securities are placed as alternative.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables, other payables and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statements of comprehensive income in the year in which they are incurred.

2.18 *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statements of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statements of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2.20 *Contingent liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the historical financial information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.21 *Employee benefits*

(a) *Retirement benefit obligations*

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) *Profit-sharing and bonus plans*

The Group recognises a liability and an expenses for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered in the normal course of business.

(a) *Fitting-out services and repair and maintenance services*

Revenue from the fitting-out services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group has applied the input method in recognising the revenue from fitting-out contracts over time by reference to the Group's efforts or inputs to the satisfaction on a performance obligation (for example, subcontracting charges, materials costs) relative to the total expected inputs to the satisfaction of the performance obligation.

For fitting-out contracts with fixed price, the Group recognises the revenue in accordance with the contract price on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation. The Group considers the input method better depicts the Group's performance in transferring control of services to its customers.

For fitting-out contracts that contain variable consideration such as variations in contract work, the Group estimates the amount of consideration to which it will be entitled using the most likely amount. The estimated amount of variable consideration is included in the fitting-out contract only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For warranty embedded to the fitting-out contracts, the Group accounts for the warranty in accordance with HKAS 37, "Provision, Contingent Liabilities and Contingent Assets" as the warranty provides the customer with assurance that the contracting work complies with the agreed-upon specifications. Since the Group's sub-contractors are contractually obligated to rectify the defects at their costs, the provision for warranty is insignificant to the Group.

(b) *Existence of significant financing component*

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customers or the Group with a significant benefit of financing the transfer or services to the customers. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties of the contracts.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payments are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

(c) *Cost to fulfill a contract*

The Group incurs costs to fulfil a contract in its fitting-out contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

2.23 *Interest income*

Interest income from financial assets at FVPL is included in the other gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 *Earnings per share*

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

The Group enters into lease agreements as a lessee with respect to certain premises and motor vehicles.

Leases are initially recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs, if any.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices and accounts for separately.

Some of the property leases include extension options. These terms are used to maximise operational flexibility in terms of managing contracts. The extension options held are exercisable only by the Group and not by the respective lessor. The Group considers all facts and circumstances that create an economic incentive to exercise an extension option in determining the lease term. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment.

2.26 Dividend distribution

Dividend distribution to shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by shareholders or directors of the companies now comprising the Group, where appropriate, but not distributed at the end of reporting period.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activity is undertaken by management.

(a) Credit risk

(i) Risk management

The carrying amounts of cash and cash equivalents, pledged time deposits, trade receivable, deposits and other receivables, contract assets, and amounts due from a director of the Company/ Success Base Group Holding Limited/related companies included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The procedures focus on the evaluations on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer, such as its financial position, past experience and other factors, as well as pertaining to the economic environment in which the customer operates. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

As at 31 December 2017, 2018 and 2019, the Group is exposed to concentration of credit risk on trade receivables from the Group's five largest customers amounting to HK\$37,289,000, HK\$31,695,000, and HK\$121,039,000, and accounted for approximately 95%, 95% and 92% of the total trade receivables balance respectively. The major customers of the Group are reputable organisations and with good repayment history. Management considers that the credit risk is limited in this regard.

For amounts due from a director of the Company/Success Base Group Holding Limited/related companies, the Group has assessed their abilities to repay the outstanding amounts by taking into account the historical default experience and financial supporting from their ultimate holding entity. Management expects no significant losses from non-performance of these counterparties.

The Group's other financial assets at amortised cost are considered to be low risk. Management has closely monitored the credit qualities and the collectability.

(ii) Impairment of assets

The Group has five types of assets that are subject to the expected credit loss model:

- trade receivables;
- contract assets;
- other receivables at amortised cost;
- amounts due from a director of the Company/Success Base Group Holding Limited/related companies; and
- cash and cash equivalents and pledged time deposits.

While cash and cash equivalents and pledged time deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies simplified approach prescribed by HKFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of revenue over a period of 24 months before each reporting period end and the corresponding historical credit losses experienced within each reporting period. The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group divided trade receivables and contract assets into two categories to measure the expected credit losses. For category 1, it includes those customers are reputable organisations and with good repayment history. The expected credit loss rate for these trade receivables is determined according to respective credit rating and forward-looking information, ranging from 0.01–0.50%.

For category 2, it includes customers other than category 1 above. The expected credit loss rate for the trade receivables is determined according to a provision matrix where balances that are less than 24 months overdue are provided for at expected credit loss rates of 0.22–13.52% and trade receivables more than 24 months overdue are 100% provided for.

Based on the management assessment, the provision for impairment of trade receivables and contract assets is Nil, Nil and HK\$950,000 for the years ended 31 December 2017, 2018 and 2019, respectively.

Other receivables at amortised cost

Other receivables at amortised cost mainly represents other receivables and deposits in reputable financial institutions. Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit loss which is immaterial.

Amounts due from a director of the Company/Success Base Group Holding Limited/related companies

The directors consider the credit risk on the amounts due from a director of the Company/Success Base Group Holding Limited/related companies is low as no default payment was noted and the related companies are financially sound.

(b) *Market risk*

(i) Foreign exchange risk

Most of the income and expenditures of the Group are denominated in HK\$, being the functional currency of the subsidiaries now comprising the Group, and hence, the Group does not have any material foreign exchange risk exposure.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from bank deposits, amounts due from a director of the Company/related parties and bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by the bank deposits and amounts due from a director of the Company/related parties. The interest rate profile of bank borrowings and amounts due from a director of the Company/related companies are disclosed in Notes 24, 26 and 27. The bank deposits generate interest at the prevailing market interest rates.

At 31 December 2017, 2018 and 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the years would have been approximately HK\$834,000, HK\$869,000 and HK\$1,075,000 lower/higher respectively, mainly as a result of higher/lower interest on floating rate bank borrowings.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

The Group employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the Group's working capital to ensure that all liabilities due and known funding requirements could be met.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the period-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for remaining financial liabilities is prepared based on the scheduled repayment dates.

	<u>On demand</u>	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2017				
Trade payables	—	4,503	—	4,503
Accruals, retention payables and other liabilities	—	14,837	—	14,837
Bank overdrafts	6,534	—	—	6,534
Bank borrowings	274,068	—	—	274,068
Lease payables and interest payables	—	2,358	1,346	3,704
	<u>280,602</u>	<u>21,698</u>	<u>1,346</u>	<u>303,646</u>
	<u>On demand</u>	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2018				
Trade payables	—	39,371	—	39,371
Accruals, retention payables and other liabilities	—	30,626	—	30,626
Bank overdrafts	9,959	—	—	9,959
Bank borrowings	272,309	—	—	272,309
Lease payables and interest payables	—	4,412	9,049	13,461
	<u>282,268</u>	<u>74,409</u>	<u>9,049</u>	<u>365,726</u>
	<u>On demand</u>	<u>Within 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
As at 31 December 2019				
Trade payables	—	71,016	—	71,016
Accruals, retention payables and other liabilities	—	46,304	—	46,304
Bank overdrafts	1,318	—	—	1,318
Bank borrowings	380,189	—	—	380,189
Finance lease payables and interest payables	—	4,462	4,749	9,211
	<u>381,507</u>	<u>121,782</u>	<u>4,749</u>	<u>508,038</u>

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in the above table.

**Maturity analysis — Bank borrowings and interest payable
without taking into account of repayment
on demand clause of certain bank borrowings,
based on scheduled repayments**

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2017	<u>193,560</u>	<u>6,372</u>	<u>17,653</u>	<u>79,309</u>	<u>296,894</u>
As at 31 December 2018	<u>191,508</u>	<u>9,956</u>	<u>21,814</u>	<u>72,680</u>	<u>295,958</u>
As at 31 December 2019	<u>302,955</u>	<u>12,243</u>	<u>17,389</u>	<u>66,906</u>	<u>399,493</u>

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or repay borrowings when cash received from non-trade receivables. Also, the Group continues to monitor and maintain the sufficiency of banking facilities for its operations.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents and pledged time deposits. Total capital is calculated as “equity” as shown in the consolidated statements of financial position, plus net debt.

The gearing ratio at 31 December 2017, 2018 and 2019 were as follows:

		As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings	24	280,602	282,268	381,507
Add: Lease liabilities	15	3,532	12,792	8,865
Less: Cash and cash equivalents and pledged time deposits	21	<u>(9,207)</u>	<u>(6,028)</u>	<u>(13,947)</u>
Net debt		274,927	289,032	376,425
Total equity		<u>101,893</u>	<u>122,062</u>	<u>155,737</u>
Total capital		<u>376,820</u>	<u>411,094</u>	<u>532,162</u>
Gearing ratio		<u>73%</u>	<u>70%</u>	<u>71%</u>

3.3 Fair value estimation

The Group analyses its financial instruments' fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged time deposits, trade receivables, other receivables, deposits and prepayments, amounts due from a director of the Company/Success Base Group Holding Limited/related companies, trade payables, accruals, retention payables and other liabilities, borrowings and lease liabilities approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Revenue recognition

The Group recognises revenue according to the progress towards complete satisfaction of performance obligation of the individual contract of fitting-out works. The progress is determined by the aggregated cost for the individual performance obligation incurred at the end of the reporting period compared with the estimated budgeted cost. Management's estimation of the cost incurred to date and the budgeted cost is primarily based on fitting-out contract budget and actual cost report prepared by internal quantity surveyors, where applicable. Corresponding revenue from contract work is also estimated by management based on the progress and estimated revenue which contains variable consideration. Because of the nature of the activities undertaken in the fitting-out contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group regularly reviews and revises the estimation of both transaction price and contract cost in the budget prepared for each fitting-out contract as the contract progresses.

Significant judgement is required in estimating the progress of performance, total contract costs and value of variation work which may have an impact on percentage of completion of the fitting-out contracts and the contract revenue and profit to be recognised in an accounting period. In addition, actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Estimation of provision for onerous contracts in respect of fitting-out works

Management estimates the provision when the amount of budgeted costs for the fitting-out work exceed the budgeted revenue. Budgeted revenue is determined in accordance with the terms set out in the relevant contracts. Budgeted costs which mainly comprise subcontracting charges and costs of materials are prepared by quantity surveyor on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will be subject to significant variances and impact the amount of provision of onerous contracts include the changes in estimations or the actual costs incurred for materials, staff costs, subcontracting cost, the amount of variation orders and claims as compared to management's budget.

(c) Impairment of trade and retention receivables

The Group follows the guidance of HKFRS 9 to determine when trade and retention receivables are impaired. Significant judgement is exercised on the assessment of the risk of default and expected credit losses from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments, customers' financial positions and expected future change of credit risks, including consideration of factors such as general economy measure, changes in macro-economic indicators, etc. Details of assumptions and inputs used are discussed in Note 3.1(a)(i).

5 Revenue and segment information

The chairman has been identified as the chief operating decision maker of the Group who reviews the Group's internal reporting in order to assess performance and allocate resources. The chairman regards the Group's business as a single operating segment and reviews consolidated financial statements accordingly.

(a) Disaggregation of revenue

	Year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fitting-out services	546,296	759,587	874,477
Repair and maintenance services	<u>6,356</u>	<u>8,558</u>	<u>4,924</u>
	<u>552,652</u>	<u>768,145</u>	<u>879,401</u>

The Group's revenue is recognised over time for the Track Record Period.

(b) Geographical information

All the revenue and assets are based in Hong Kong for the Track Record Period.

(c) Revenue from major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for each of the Track Record Period is set out below:

	Year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	134,823	221,358	400,170
Customer B	157,472	244,566	147,100
Customer C	82,317	90,941	91,090
Customer D	<u>57,784</u>	<u>36,805</u>	<u>951</u>

(d) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities.

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year			
— Fitting-out services	77,080	80,836	84,615

(e) Revenue recognised from performance obligations satisfied in previous periods

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Consideration from fitting-out contracts, not previously recognised due to the subsequent changes in transaction price	677	314	681

(f) Unsatisfied long-term fitting-out contracts

The following table shows unsatisfied/partially unsatisfied performance obligations resulting from long-term fitting-out contracts.

	As at	As at	As at
	31 December	31 December	31 December
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Aggregate amount of the transaction price allocated to long term fitting-out contracts that are partially or fully unsatisfied as at year end	743,473	613,257	801,573

Management expects that the transaction prices regarding the unsatisfied contracts at the end of year will be recognised as revenue by referencing to the schedule below:

	As at	As at	As at
	31 December	31 December	31 December
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	593,825	551,931	721,234
Over 1–2 years	149,648	61,326	80,339
	743,473	613,257	801,573

All other contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 Other gains, net

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Exchange gain/(loss), net	316	(9)	(5)
Gains on changes in surrender values of investments in insurance contracts (<i>Note 16</i>)	369	293	457
	<u>685</u>	<u>284</u>	<u>452</u>

7 Expenses by nature

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Sub-contracting fees	248,142	352,876	450,109
Materials costs	164,577	245,283	242,719
Consultation services	2,044	3,226	5,986
Bank charges	41	47	66
Depreciation on plant and equipment	245	1,275	2,901
Depreciation on right-of-use assets	3,197	4,050	1,976
Employee benefit expenses (including directors' emoluments) (<i>Note 8</i>)	72,528	85,371	88,782
Auditor's remuneration — audit services	480	569	480
Donation	332	191	43
Entertainment expenses	1,244	1,619	1,341
Legal and professional fee	719	703	1,873
Listing expenses	—	—	9,016
Transportation expenses	1,553	1,849	1,500
Office expenses	1,999	2,920	2,380
Insurance	2,216	1,404	4,101
Short-term lease expenses	211	484	165
Other expenses	7,009	8,410	9,588
Total cost of services and administrative expenses	<u>506,537</u>	<u>710,277</u>	<u>823,026</u>
Representing:			
Cost of services	470,774	660,473	759,675
Administrative expenses	35,763	49,804	54,335
Listing expenses	—	—	9,016
	<u>506,537</u>	<u>710,277</u>	<u>823,026</u>

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Wages, salaries and bonus	67,995	77,204	80,119
Pension costs — defined contribution plan	2,673	2,661	3,163
Other staff welfare and benefit:			
— Depreciation on plant and equipment	—	1,960	1,960
— Depreciation on right-of-use assets	—	1,955	1,955
— Others	1,860	1,591	1,585
	<u>72,528</u>	<u>85,371</u>	<u>88,782</u>

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include the 1, 2 and 2 directors for each of the years ended 31 December 2017, 2018 and 2019. Their emoluments were reflected in Note 9(a). The emoluments paid to the remaining 4, 3 and 3 non-director individuals are as follow:

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Wages, salaries and bonus	3,771	3,384	3,954
Pension costs — defined contribution plan	72	54	54
	<u>3,843</u>	<u>3,438</u>	<u>4,008</u>

The emoluments fell within the following bands:

Emolument band	Number of individuals		
	Year ended 31 December		
	2017	2018	2019
Within HK\$1,000,000	2	—	—
From HK\$1,000,001 to HK\$1,500,000	2	3	2
From HK\$1,500,001 to HK\$2,000,000	—	—	1
	<u>4</u>	<u>3</u>	<u>3</u>

9 Benefits and interests of directors

(a) Directors' emoluments and retirement benefits

The remuneration and retirement benefits of the directors are set out below:

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings		Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking			Total
	Fees	Salaries	Discretionary bonus	Allowances and benefits in lieu	Employer's contribution to a retirement benefit scheme	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2017						
Chairman						
Mr. Ng	—	1,453	—	435	18	1,906
Executive Director						
Success Base Group Holding Limited	—	—	—	—	—	—
Total	—	1,453	—	435	18	1,906
Year ended 31 December 2018						
Chairman						
Mr. Ng	—	3,700	252	2,605	18	6,575
Executive Director						
Ms. Zhao Haiyan ("Ms. Zhao")	—	1,380	115	1,310	18	2,823
Success Base Group Holding Limited	—	—	—	—	—	—
Total	—	5,080	367	3,915	36	9,398

	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings		Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking			
	Fees	Salaries	Discretionary bonus	Allowances and benefits in lieu	Employer's contribution to a retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2019						
Chairman						
Mr. Ng Chi Chiu	—	3,018	—	2,605	18	5,641
Executive Director						
Ms. Zhao Hai Yan	—	1,380	—	1,310	18	2,708
Success Base Group Holding Limited	—	—	—	—	—	—
Total	—	4,398	—	3,915	36	8,349

During the Track Record Period, there was no arrangement under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of directors is as follows:

Except for the amounts due from a director of the Company, Success Base Group Holding Limited and related companies as disclosed in Notes 26 and 27, there are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

Except for the transactions as disclosed in Note 28, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

10 Finance income and finance costs

	Year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income			
— Bank interest income	18	40	62
— Interest income from loans to a director of the Company	296	381	446
— Interest income from loans to related parties	1,681	1,626	1,602
	<u>1,995</u>	<u>2,047</u>	<u>2,110</u>
Finance costs			
— Interest expenses on borrowings	(12,126)	(11,891)	(15,839)
— Interest elements of lease liabilities	(154)	(465)	(332)
	<u>(12,280)</u>	<u>(12,356)</u>	<u>(16,171)</u>

11 Income tax expense

	Year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	5,830	7,546	8,791
Deferred income tax (<i>Note 17</i>)	52	128	(650)
Income tax expense	<u>5,882</u>	<u>7,674</u>	<u>8,141</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and one of the subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Group is subject to Hong Kong profit tax. Hong Kong profit tax has been provided for at a rate of 16.5% for the year ended 31 December 2017 on the estimated assessable profits. In accordance with the two-tiered profits tax regime effective from 1 April 2018, Hong Kong profits tax was calculated at 8.25% on the first HK\$2 million and 16.5% on the remaining balance of the estimated assessable profits for the years ended 31 December 2018 and 2019.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong applicable to profit of the consolidated entities as follows:

	Year ended 31 December		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	36,515	47,843	41,816
Tax calculated at domestic tax rates applicable to profits in Hong Kong	6,025	7,729	6,735
Expenses not deductible for tax purposes	31	14	1,486
Income not subject to taxation	(144)	(49)	(80)
Tax concession	(30)	(20)	—
	<u>5,882</u>	<u>7,674</u>	<u>8,141</u>

12 Earnings per share

Basic earnings per shares is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2017, 2018 and 2019.

In determining the weighted average number of shares in issue during the years ended 31 December 2017, 2018 and 2019, 10,100 shares were deemed to have been issued on 1 January 2017 as if the Company has been incorporated by then.

	Year ended 31 December		
	2017	2018	2019
Profit attributable to owners of the Company (HK\$'000)	30,633	40,169	33,675
Weighted average number of ordinary shares in issue	10,100	10,100	10,100
Basic and diluted earnings per share (HK\$'000)	<u>3.03</u>	<u>3.98</u>	<u>3.33</u>

Diluted earnings per shares for the years ended 31 December 2017, 2018 and 2019 were the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years.

13 Dividends

No dividend has been paid or declared by the Company during the Track Record Period.

Dividends of Nil, HK\$20,000,000 and Nil was declared and paid by companies now comprising the Group to its then shareholders during the years ended 31 December 2017, 2018 and 2019.

14 Plant and equipment

	<u>Leasehold improvements</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost					
At 1 January 2017	2,087	1,230	214	1,045	4,576
Additions for the year	4,136	—	64	—	4,200
Disposal for the year	—	—	—	(40)	(40)
At 31 December 2017	<u>6,223</u>	<u>1,230</u>	<u>278</u>	<u>1,005</u>	<u>8,736</u>
At 1 January 2018	6,223	1,230	278	1,005	8,736
Additions for the year	11,523	—	90	—	11,613
Write-off/disposal for the year	(2,087)	—	—	(77)	(2,164)
At 31 December 2018	<u>15,659</u>	<u>1,230</u>	<u>368</u>	<u>928</u>	<u>18,185</u>
At 1 January 2019	15,659	1,230	368	928	18,185
Additions for the year	807	1,544	—	326	2,677
Write-off/disposal for the year	—	—	—	(34)	(34)
At 31 December 2019	<u>16,466</u>	<u>2,774</u>	<u>368</u>	<u>1,220</u>	<u>20,828</u>
Accumulated depreciation					
At 1 January 2017	2,087	1,098	158	481	3,824
Charge for the year	68	40	24	113	245
Disposal for the year	—	—	—	(40)	(40)
At 31 December 2017	<u>2,155</u>	<u>1,138</u>	<u>182</u>	<u>554</u>	<u>4,029</u>
At 1 January 2018	2,155	1,138	182	554	4,029
Charge for the year	3,094	28	25	88	3,235
Write-off/disposal for the year	(2,087)	—	—	(43)	(2,130)
At 31 December 2018	<u>3,162</u>	<u>1,166</u>	<u>207</u>	<u>599</u>	<u>5,134</u>
At 1 January 2019	3,162	1,166	207	599	5,134
Charge for the year	4,565	182	16	98	4,861
Write-off/disposal for the year	—	—	—	(3)	(3)
At 31 December 2019	<u>7,727</u>	<u>1,348</u>	<u>223</u>	<u>694</u>	<u>9,992</u>
Carrying values					
At 31 December 2017	<u>4,068</u>	<u>92</u>	<u>96</u>	<u>451</u>	<u>4,707</u>
At 31 December 2018	<u>12,497</u>	<u>64</u>	<u>161</u>	<u>329</u>	<u>13,051</u>
At 31 December 2019	<u>8,739</u>	<u>1,426</u>	<u>145</u>	<u>526</u>	<u>10,836</u>

Except for the depreciation expenses of HK\$164,000 for the year ended 31 December 2019 was charged to “Cost of services”, other depreciation expenses were charged to “Administrative expenses” in the consolidated statements of comprehensive income.

15 Leases

(a) *Right-of-use assets*

	<u>Motor vehicles</u>	<u>Properties</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost			
At 1 January 2017	986	5,653	6,639
Additions for the year	<u>1,063</u>	<u>—</u>	<u>1,063</u>
At 31 December 2017	<u>2,049</u>	<u>5,653</u>	<u>7,702</u>
At 1 January 2018	2,049	5,653	7,702
Additions for the year	—	15,770	15,770
Write off/disposal for the year	<u>—</u>	<u>(6,690)</u>	<u>(6,690)</u>
At 31 December 2018	<u>2,049</u>	<u>14,733</u>	<u>16,782</u>
At 1 January 2019	2,049	14,733	16,782
Additions for the year	—	233	233
Write off for the year	<u>—</u>	<u>(173)</u>	<u>(173)</u>
At 31 December 2019	<u>2,049</u>	<u>14,793</u>	<u>16,842</u>
Accumulated depreciation			
At 1 January 2017	197	942	1,139
Charge for the year	<u>370</u>	<u>2,827</u>	<u>3,197</u>
At 31 December 2017	<u>567</u>	<u>3,769</u>	<u>4,336</u>
At 1 January 2018	567	3,769	4,336
Charge for the year	296	5,709	6,005
Write off/disposal for the year	<u>—</u>	<u>(5,826)</u>	<u>(5,826)</u>
At 31 December 2018	<u>863</u>	<u>3,652</u>	<u>4,515</u>
At 1 January 2019	863	3,652	4,515
Charge for the year	237	3,694	3,931
Write off for the year	<u>—</u>	<u>(173)</u>	<u>(173)</u>
At 31 December 2019	<u>1,100</u>	<u>7,173</u>	<u>8,273</u>
Carrying values			
At 31 December 2017	<u>1,482</u>	<u>1,884</u>	<u>3,366</u>
At 31 December 2018	<u>1,186</u>	<u>11,081</u>	<u>12,267</u>
At 31 December 2019	<u>949</u>	<u>7,620</u>	<u>8,569</u>

The right-of-use assets represent the Group's rights to use underlying leased premises and motor vehicles under lease arrangements over the lease terms from 2 to 5 years. They are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities. Portion of right-of-use assets represents material transactions with related parties and disclosed in Note 28(a).

(b) Lease liabilities

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion	2,275	4,067	4,253
Non-current portion	<u>1,257</u>	<u>8,725</u>	<u>4,612</u>
	<u>3,532</u>	<u>12,792</u>	<u>8,865</u>

The interest rate of each lease contracts is fixed at its contract date, and the interest rates of all the lease liabilities were 2.8%, 2.9%, and 2.9% per annum as at 31 December 2017, 2018, and 2019 respectively.

The total cash outflows for leases including payments of short-term lease, lease liabilities and payments of interest expenses on leases for the years ended 31 December 2017, 2018 and 2019 were approximately HK\$3,446,000, HK\$6,595,000, and HK\$4,657,000, respectively.

(c) Amount recognised in the consolidated statements of comprehensive income

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interests on lease liabilities for the year	154	465	332
Expenses related to short-term leases for the year	<u>211</u>	<u>484</u>	<u>165</u>

Depreciation of the Group's right-of-use assets are recognised as follows:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of services for the year	370	296	237
Administrative expenses for the year	<u>2,827</u>	<u>5,709</u>	<u>3,694</u>
Depreciation charge for the year	<u>3,197</u>	<u>6,005</u>	<u>3,931</u>

(d) Lease commitment for short-term lease

The future aggregate minimum lease payments of non-cancellable short-term lease are as follows:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>346</u>	<u>165</u>	<u>—</u>

16 Investments in insurance contracts

	<u>As at 31 December 2017</u> <i>HK\$'000</i>	<u>As at 31 December 2018</u> <i>HK\$'000</i>	<u>As at 31 December 2019</u> <i>HK\$'000</i>
At the beginning of year	11,395	11,764	14,335
Addition	—	2,278	—
Credited to the consolidated statements of comprehensive income:			
— Changes in surrender values (<i>Note 6</i>)	<u>369</u>	<u>293</u>	<u>457</u>
At the end of year	<u>11,764</u>	<u>14,335</u>	<u>14,792</u>

Investments in insurance contracts represented key management life insurance policies (the “Insurance Policies”). A subsidiary of the Company is the beneficiary of the Insurance Policies. The Insurance Policies were pledged to the bank as securities for certain facilities granted to the subsidiary.

17 Deferred income tax assets/(liabilities)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The followings are the deferred income tax assets/(liabilities) recognised and movements thereon during the Track Record Period:

	<u>Provision</u> <i>HK\$'000</i>	<u>(Accelerated)/ decelerated depreciation</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
At 1 January 2017	—	161	161
Charged to consolidated statements of comprehensive income (<i>Note 11</i>)	<u>—</u>	<u>(52)</u>	<u>(52)</u>
At 31 December 2017 and 1 January 2018	—	109	109
Charged to consolidated statements of comprehensive income (<i>Note 11</i>)	<u>—</u>	<u>(128)</u>	<u>(128)</u>
At 31 December 2018 and 1 January 2019	—	(19)	(19)
Credited to consolidated statements of comprehensive income (<i>Note 11</i>)	<u>157</u>	<u>493</u>	<u>650</u>
At 31 December 2019	<u>157</u>	<u>474</u>	<u>631</u>

As at 31 December 2017, 2018, and 2019, there is no significant unrecognised deferred tax for the Group.

18 Financial instruments by category

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Assets as per consolidated statements of financial position			
Financial assets subsequently measured at amortised cost			
— Trade receivables (<i>Note 19</i>)	39,313	33,229	131,057
— Other receivables and deposits (excluding prepayments)	12,264	9,763	18,236
— Amount due from a director of the Company (<i>Note 26</i>)	88,748	74,929	81,791
— Amount due from Success Base Group Holding Limited (<i>Note 27</i>)	34,812	28,812	28,812
— Amounts due from the related companies (<i>Note 27</i>)	190,988	191,996	203,465
— Cash and cash equivalents and pledged time deposit (<i>Note 21</i>)	9,207	6,028	13,947
Total	<u>375,332</u>	<u>344,757</u>	<u>477,308</u>
Liabilities as per consolidated statements of financial position			
Other financial liabilities subsequently measured at amortised cost			
— Trade payables (<i>Note 23</i>)	4,503	39,371	71,016
— Accruals, retention payables and other liabilities excluding non-financial liabilities	14,837	30,626	46,304
— Borrowings (<i>Note 24</i>)	280,602	282,268	381,507
— Lease liabilities (<i>Note 15</i>)	3,532	12,792	8,865
	<u>303,474</u>	<u>365,057</u>	<u>507,692</u>

19 Trade and other receivables

(a) Trade receivables

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Trade receivables			
— Due from third parties	39,313	28,341	132,007
— Due from a related party	—	4,888	—
	39,313	33,229	132,007
Less: provision for impairment	—	—	(950)
Trade receivables, net	<u>39,313</u>	<u>33,229</u>	<u>131,057</u>

The ageing analysis of the trade receivables based on invoice date is as follows:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
1–30 days	22,459	29,304	67,143
31–60 days	7,542	1,282	41,136
61–90 days	4,380	1,252	21,367
Over 90 days	4,932	1,391	2,361
	<u>39,313</u>	<u>33,229</u>	<u>132,007</u>

Trade receivables are due from 30 days to 90 days after invoicing depending on the nature of services. The Group's trade receivables are mainly denominated in Hong Kong Dollars.

(b) *Other receivables, deposits and prepayments*

The Group

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Prepayments for fitting-out works	42,125	38,360	28,929
Prepayments for listing expenses	—	—	2,803
Prepayments for insurance	—	—	2,369
Deposits (<i>Note</i>)	11,881	9,441	18,052
Advances to employees	383	322	184
	54,389	48,123	52,337
Less: Non-current	<u>(6,484)</u>	<u>(5,774)</u>	<u>(18,003)</u>
Current portion	<u>47,905</u>	<u>42,349</u>	<u>34,334</u>

Note: Deposits represent surety bonds purchased from insurance companies, rental and utility deposits. They are expected to be released in accordance with the term of the respective contracts.

The Group's other receivables and deposits are mainly denominated in Hong Kong Dollars. None of the other receivables and deposits was impaired.

The carrying amounts of trade and other receivables approximate to their fair values. The maximum exposure to credit risk at the end of each Track Record Period is carrying amount of each class of trade and other receivables mentioned above.

The Company

	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Prepayments for listing expenses	<u>2,803</u>

20 Contract assets and contract liabilities

Included in contract assets/(liabilities) are the following:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Contract assets			
Amounts due from customers for contract works	23,827	119,280	115,621
Retention receivables due from third parties for fitting-out services (<i>Note</i>)	43,754	52,153	48,572
Retention receivables due from a related party for fitting-out services (<i>Note</i>)	—	312	—
	<u>67,581</u>	<u>171,745</u>	<u>164,193</u>
Contract liabilities			
Amounts due to customers for contract works	(80,836)	(83,092)	(27,675)
Amount due to a related party for contract works	—	(1,523)	—
	<u>(80,836)</u>	<u>(84,615)</u>	<u>(27,675)</u>

Note: Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. In the consolidated statements of financial position, retention receivables were classified as current assets based on operating cycle. The settlement analysis of these retention receivables based on the terms of related contracts was as follows:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Will be recovered within twelve months	10,637	17,793	22,070
Will be recovered more than twelve months after the end of the year	33,117	34,360	26,502
	<u>43,754</u>	<u>52,153</u>	<u>48,572</u>

Significant changes in contract assets and liabilities

Contract assets consist of the Group's rights to consideration for works completed but unbilled amounts resulting from fitting-out contracts. The contract assets are transferred to trade receivables when the rights become unconditional. The increase in contract assets from 31 December 2017 to 31 December 2018 was the result of the increase in the provision of fitting-out services. As compared with the contract assets as 31 December 2019, the decrease in contract assets from 31 December 2018 was mainly due to the more contracts assets become unconditional and transferred to trade receivables.

Contract liabilities for the contract works were decreased from 31 December 2018 to 31 December 2019 due to the reduction in receipt in advance on overall contract works.

The Group expects that contract assets have the same risk characters as trade receivables. The impairment of contract assets is disclosed in Note 3.1(a)(ii). The provision for impairment of contract assets is immaterial at the end of each year.

21 Cash and cash equivalents, pledged time deposits

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Cash and cash equivalents	6,177	2,961	10,847
Pledged time deposits (<i>Note</i>)	<u>3,030</u>	<u>3,067</u>	<u>3,100</u>
	<u>9,207</u>	<u>6,028</u>	<u>13,947</u>

Note: Restricted deposits are funds which are pledged as security for the banking facilities of the Group. Interest rates of restricted deposits are approximately 0.6%, 1.91% and 1.30% per annum at the end of each year.

The above figures reconcile to the amount of cash shown in the consolidated statements of cash flows at the end of each year as follows:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Cash and cash equivalents balance as above	6,177	2,961	10,847
Bank overdrafts (<i>Note 24</i>)	<u>(6,534)</u>	<u>(9,959)</u>	<u>(1,318)</u>
Balances per consolidated statements of cash flows	<u>(357)</u>	<u>(6,998)</u>	<u>9,529</u>

Cash and cash equivalents, pledged time deposits of the Group are mainly denominated in the following currencies:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
HK\$	9,172	5,997	13,889
United States dollars	34	30	57
Renminbi	<u>1</u>	<u>1</u>	<u>1</u>
	<u>9,207</u>	<u>6,028</u>	<u>13,947</u>

22 Share capital, capital reserve and retained earnings

(a) Share capital

	Number of ordinary shares	Share Capital HK\$'000
Authorised:		
As at 11 July 2019 (date of incorporation of the Company) and 31 December 2019	38,000,000	380
Issued and fully paid:		
As at 11 July 2019*	1	—
Issue of shares (Note 1.2)*	99	—
Issue of share pursuant to the Reorganisation (Note 1.2)*	10,000	—
As at 31 December 2019	10,100	—

* The amount is below HK\$1,000.

Note: On 16 June 2020, the Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each by the creation of an additional 1,962,000,000 shares of a par value of HK\$0.01 each.

(b) Capital reserve

The capital reserve of the Group represented combined share capital of the companies now comprising the Group before the completion of the Reorganisation. (Note 1.2)

(c) Reserves

The reserves movement of the Group is as follows:

	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance as at 1 January 2017	2,500	68,760	71,260
Profit and total comprehensive income for the year	—	30,633	30,633
Balance as at 31 December 2017	2,500	99,393	101,893
Balance as at 1 January 2018	2,500	99,393	101,893
Profit and total comprehensive income for the year	—	40,169	40,169
Dividends	—	(20,000)	(20,000)
Balance as at 31 December 2018	2,500	119,562	122,062
Balance as at 1 January 2019	2,500	119,562	122,062
Profit and total comprehensive income for the year	—	33,675	33,675
Balance as at 31 December 2019	2,500	153,237	155,737

The reserves movement of the Company is as follows:

	Capital reserve (Note)	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 11 July 2019	—	—	—
Comprehensive loss			
Loss for the period	—	(9,016)	(9,016)
Total comprehensive loss	—	(9,016)	(9,016)
Transaction with owners in their capacity as owners			
Issue of shares pursuant to the Reorganisation (<i>Note 1.2</i>)	151,752	—	151,752
Total transaction with owners in their capacity as owners	151,752	—	151,752
Balances as at 31 December 2019	<u>151,752</u>	<u>(9,016)</u>	<u>142,736</u>

* *The amount is below HK\$1,000.*

Note: Capital reserve of the Company represents the difference between the net asset value of the subsidiary acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

23 Trade and other payables

The Group

	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	4,503	39,371	71,016
Accruals, retention payables and other liabilities:			
— Retention payables (<i>Note</i>)	13,873	28,534	40,203
— Accrued wages and salaries	20,057	21,664	9,437
— Other accruals and payables	964	2,092	6,101
	<u>34,894</u>	<u>52,290</u>	<u>55,741</u>
	<u>39,397</u>	<u>91,661</u>	<u>126,757</u>

The trade and other payables are mainly denominated in Hong Kong Dollars and the carrying amounts approximate their fair values.

The ageing analysis of the trade payables by invoice date is as follows:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
1–30 days	2,363	25,922	50,398
31–60 days	1,587	5,847	8,842
61–90 days	292	4,346	3,400
Over 90 days	261	3,256	8,376
	<u>4,503</u>	<u>39,371</u>	<u>71,016</u>

Note: The terms and conditions in relation to the release of retention vary from contract to contract. In the consolidated statements of financial position, retention payables were classified as current liabilities based on operating cycle. The settlement date of the retention payables based on terms of related contracts is as follows:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Will be paid within twelve months	605	19,215	17,203
Will be paid more than twelve months after the end of the year	13,268	9,319	23,000
	<u>13,873</u>	<u>28,534</u>	<u>40,203</u>

The Company

	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Other payables — listing expenses	<u>5,344</u>

24 Borrowings

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Current, secured			
— Bank overdraft (<i>Note b</i>)	6,534	9,959	1,318
— Bank borrowings (<i>Notes a and b</i>)	274,068	272,309	380,189
Total borrowings	<u>280,602</u>	<u>282,268</u>	<u>381,507</u>

The bank overdraft and bank borrowings bear interest at floating rates that are market dependent.

- (a) The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the year end to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Bank borrowings repayable:			
Within one year	191,339	188,979	300,609
More than one year but not exceeding two years	4,281	7,875	10,286
More than to two years but not exceeding five years	12,116	14,408	12,456
More than five years	<u>66,332</u>	<u>61,047</u>	<u>56,838</u>
	<u>274,068</u>	<u>272,309</u>	<u>380,189</u>

During the years ended 31 December 2017, 2018 and 2019, the Group obtained new bank borrowings of approximately HK\$651,609,000, HK\$700,760,000 and HK\$1,087,689,000 respectively. It also repaid bank borrowings of approximately HK\$652,196,000, HK\$702,519,000 and HK\$979,809,000 in the Track Record Period, respectively.

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rates are 3.35%, 3.34% and 3.73% per annum as at 31 December 2017, 2018 and 2019, respectively.

- (b) As at 31 December 2017 and 2018 and 2019, borrowings are secured/guaranteed by:
- (i) Personal guarantees provided by Mr. Ng and Ms. Zhao;
 - (ii) Corporate guarantees provided by Success Base Group Holding Limited and related companies as disclosed in Note 28(c);
 - (iii) Properties held by directors and related companies;
 - (iv) Investments in insurance contracts of approximately HK\$11,764,000, HK\$14,335,000 and HK\$14,792,000 were held at bank as security for certain banking facilities, respectively;
 - (v) Pledged time deposit of approximately HK\$3,030,000, HK\$3,067,000 and HK\$3,100,000 were held at bank as security for certain banking facilities, respectively.

All guarantees from Mr. Ng, Ms. Zhao, Success Base Group Holding Limited, and related companies, and properties owned by Mr. Ng, Ms. Zhao and related companies are expected to be released before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group has the following undrawn borrowing facilities:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
Floating rate	<u>99,112</u>	<u>73,064</u>	<u>53,133</u>

The carrying amounts of the borrowings are mainly denominated in the following currencies:

	<u>As at</u> <u>31 December</u> <u>2017</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2018</u> <i>HK\$'000</i>	<u>As at</u> <u>31 December</u> <u>2019</u> <i>HK\$'000</i>
HK\$	278,597	280,263	379,502
United States dollars	<u>2,005</u>	<u>2,005</u>	<u>2,005</u>
	<u>280,602</u>	<u>282,268</u>	<u>381,507</u>

25 Note to the consolidated statements of cash flows

(a) Net debt reconciliation

The following table provides a reconciliation for the movements of net debt arising from financing activities for the Track Record Period.

	<u>Cash and</u> <u>cash</u> <u>equivalents</u> <i>HK\$'000</i>	<u>Pledged</u> <u>time</u> <u>deposits</u> <i>HK\$'000</i>	<u>Bank</u> <u>overdrafts</u> <i>HK\$'000</i>	<u>Liabilities from</u> <u>financing activities</u> <u>Borrowings-</u> <u>excluding</u> <u>bank</u> <u>overdrafts</u> <i>HK\$'000</i>	<u>Lease</u> <u>liabilities</u> <i>HK\$'000</i>
Net cash as at 1 January 2017	21,704	3,011	(12,503)	(274,655)	(5,633)
Cash flows	(15,527)	19	5,969	—	3,081
Drawdown of borrowings	—	—	—	(651,609)	—
Repayment of borrowings	—	—	—	652,196	—
Addition of right-of-use assets	—	—	—	—	(980)
Net cash as at 31 December 2017	6,177	3,030	(6,534)	(274,068)	(3,532)
Cash flows	(3,216)	37	(3,425)	—	5,646
Drawdown of borrowings	—	—	—	(700,760)	—
Repayment of borrowings	—	—	—	702,519	—
Addition of right-of-use assets	—	—	—	—	(15,770)
Termination of lease	—	—	—	—	864
Net cash as at 31 December 2018	2,961	3,067	(9,959)	(272,309)	(12,792)
Cash flows	7,886	33	8,641	—	4,160
Drawdown of borrowings	—	—	—	(1,087,689)	—
Repayment of borrowings	—	—	—	979,809	—
Addition of right-of-use assets	—	—	—	—	(233)
Net cash as at 31 December 2019	<u>10,847</u>	<u>3,100</u>	<u>(1,318)</u>	<u>(380,189)</u>	<u>(8,865)</u>

(b) Non-cash transactions

The costs of motor vehicle leases of approximately HK\$1,063,000 (inclusion of direct costs of HK\$83,000) (Note 15) were capitalised as the right-of-use assets during the year ended 31 December 2017.

The costs of property leases of approximately HK\$15,770,000 and HK\$233,000 (Note 15) were capitalised as the right-of-use assets during the years ended 31 December 2018 and 2019.

(c) Proceeds from disposal of plant and equipment

In the consolidated statements of cash flows, proceeds from disposal of plant and equipment comprise:

	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>	<u>As at</u> <u>31 December</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net carrying amount (Note 14)	—	34	31
Loss on disposal of plant and equipment	—	(34)	(17)
Proceeds from disposal of plant and equipment	—	—	14

26 Amount due from a director of the Company

Particulars of amount due from a director of the Company are as follows:

	<i>HK\$'000</i>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 31 December 2019			81,791
Balance at 31 December 2018			74,929
Balance at 31 December 2017			88,748
	<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum amount outstanding	88,748	93,441	81,791

The amount, representing amount due from Mr. Ng, is unsecured, repayment on demand and denominated in Hong Kong Dollars. During the years ended 31 December 2017, 2018 and 2019, except for the amounts of approximately HK\$12,585,000, HK\$12,308,000 and HK\$12,048,000 with interest bearing at HIBOR plus 1.8% per annum for Track Record Period, the remaining amounts are non-interest bearing.

All of the amounts are non-trade in nature, except for the amount of approximately HK\$1,666,000 as at 31 December 2019 which is trade in nature and denominated in Hong Kong Dollars.

The amount due from a director has been fully settled in January 2020.

27 Amounts due from Success Base Group Holding Limited/related companies

Particulars of amount due from Success Base Group Holding Limited are as follows:

The Group

	<i>HK\$'000</i>
Balance at 31 December 2019	<u>28,812</u>
Balance at 31 December 2018	<u>28,812</u>
Balance at 31 December 2017	<u>34,812</u>

	<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum amount outstanding	<u>34,812</u>	<u>34,812</u>	<u>28,812</u>

Particulars of amounts due from related companies are as follows:

The Group

	<i>HK\$'000</i>
Balance at 31 December 2019	<u>203,465</u>
Balance at 31 December 2018	<u>191,996</u>
Balance at 31 December 2017	<u>190,988</u>

	<u>Year ended 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Maximum amount outstanding	<u>191,110</u>	<u>191,996</u>	<u>203,465</u>

The amount, representing amount due from related companies, is unsecured, repayment on demand and denominated in Hong Kong Dollars. During the years ended 31 December 2017, 2018 and 2019, except for the amount of approximately HK\$59,770,000, HK\$57,199,000 and HK\$54,571,000 with interest bearing at HIBOR plus 2.5% per annum for Track Record Period, the remaining amounts are non-interest bearing.

All of the amounts are non-trade in nature, except for the amount of approximately HK\$7,374,000 as at 31 December 2019 which is trade in nature and denominated in Hong Kong Dollars.

The amounts due from related companies of approximately HK\$19,201,000 has been settled in January 2020 and the remainder will be fully settled before Listing.

The Company

As at 31 December 2019, the amount due to a subsidiary is unsecured, non-interest bearing and denominated in Hong Kong Dollars.

28 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at 31 December 2017, 2018 and 2019.

(a) The Group had the following significant transactions with related parties during the Track Record Period

	Year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan interest charged to related companies	1,681	1,626	1,602
Loan interest charged to a director	296	381	446
Revenue from fitting-out contracts from a related company	—	3,677	5,364
Acquisition of right-of-use assets from directors	—	6,983	—
Acquisition of right-of-use assets from a related company	—	2,793	—
Depreciation on right-of-use assets, and plant and equipment leased from directors	—	3,356	3,356
Depreciation on right-of-use assets leased from a related company	—	559	559
Interest expenses payable to directors	—	178	145
Interest expenses payable to a related company	—	71	58

Note: These transactions were conducted in the normal course of business at prices and terms mutually agreed among the parties.

(b) Balances with directors of the Company, Success Base Group Holding Limited and related companies

The year-end balances with a director of the Company, Success Base Group Holding Limited and related companies were presented and disclosed in notes 26 and 27 to the Historical Financial Information.

In relation to the leased properties from directors and a related company, the corresponding rental deposits paid by the Group as at 31 December 2017, 2018 and 2019 are Nil, HK\$350,000, and HK\$350,000, respectively.

In relation to the leased properties from directors and a related company, the corresponding lease liabilities of the Group as at 31 December 2017, 2018 and 2019 are Nil, HK\$7,926,000, and HK\$6,029,000, respectively.

In relation to the leased properties from directors and a related company, the corresponding right-of-use assets as at 31 December 2017, 2018 and 2019 are Nil, HK\$7,822,000 and HK\$5,867,000, respectively.

(c) Banking facilities/guarantees

The Group's banking facilities, surety bonds and office rental agreement were secured by properties, corporate and personal guarantees given by related parties/companies as below:

Name of related parties/companies	Relationship with the Group
Mr. Ng	Director and ultimate controlling party
Ms. Zhao	Director and spouse of ultimate controlling party
Success Base Group Holding Limited	Common controlled by Mr. Ng
Success Land Global Company Limited	Common controlled by Mr. Ng
Fullmax Resources Limited	Common controlled by Mr. Ng
Nice Dragon International Limited	Common controlled by Mr. Ng
One Studio Limited	Common controlled by Mr. Ng
Sky Range Limited	Common controlled by Mr. Ng

All guarantees from Mr. Ng, Ms. Zhao, Success Base Group Holding Limited, and related companies, and properties owned by Mr. Ng, Ms. Zhao and related companies are expected to be released before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(d) Key management compensation

The directors consider the key management personnel to be the members of the Board of Directors of the Company who have responsibilities for planning, directing and controlling the activities of the Group. Their compensations are disclosed in Note 9(a).

29 Contingencies

At each of the years ended 31 December 2017, 2018 and 2019, the Group's contingent liabilities were as follow:

(i) Surety bonds

	As at	As at	As at
	31 December	31 December	31 December
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Surety bonds (<i>Note</i>)	<u>41,427</u>	<u>36,549</u>	<u>66,915</u>

Note: As at 31 December 2017, 2018 and 2019, Mr. Ng, Ms. Zhao, Success Base Group Holding Limited, and Success Base Engineering provided personal and corporate guarantees of surety bonds in respect of 5, 5 and 7 fitting-out contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective fitting-out contracts.

(ii) Claim

During the year ended 31 December 2018, Success Base Engineering received a claim from a landlord for the rentals for the unexpired term of a tenancy agreement about warehouse in Hong Kong, amounting to approximately HK\$800,000. On 6 January 2020, the Hong Kong court judged that Success Base Engineering is obligated for rental payment of approximately HK\$275,000 and legal costs incurred by the landlord. The directors are of opinion that sufficient provision has been provided in the consolidated financial statements of the Group.

30 Event after the reporting period

Save as disclosed elsewhere in the Notes to the Historical Financial Information set out above, an amount of HK\$130,000,000 special dividend has been declared and approved by the directors of the Company on 10 January 2020. Pursuant to the agreement between Mr. Ng and the Group dated 10 January 2020, the Group pays the dividend amount of approximately HK\$128.1 million to Mr. Ng by setting off with the corresponding amounts due from a director, Success Base Group Holding Limited and related companies under the Group. The balance of approximately HK\$1.9 million will be paid or settled as agreed between Mr. Ng and the Group.

After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Management represented that four of our fitting-out project worksites were temporarily closed for two weeks in early February 2020, all of which have resumed operation as at the date of this report. Management is of opinion that the Group's operations is not affected or delayed by a large extent as a result of the outbreak of the novel coronavirus. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019 and up to the date of this report.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 as if the Share Offer had taken place on 31 December 2019.

This unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2019 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as at 31 December 2019 HK\$'000	Unaudited pro forma adjusted net tangible assets per Share (Note 3) HK\$
Based on an Offer Price of HK\$0.63 per Share	155,737	88,443	244,180	0.31
Based on an Offer Price of HK\$0.69 per Share	155,737	97,923	253,660	0.32

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2019 of approximately HK\$155,737,000, as the Group did not have any intangible assets as at 31 December 2019.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares of the Offer Price of HK\$0.63 per Share and HK\$0.69 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$9,016,000 which have been accounted for in the Group's consolidated statements of comprehensive income for the year ended 31 December 2019) payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the Note 2 above and on the basis that 800,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue have been completed on 31 December 2019 but takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2019.
- (5) The unaudited pro forma adjusted net tangible assets of the Group does not take into account the special dividend of HK\$130,000,000 declared on 10 January 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.14 and HK\$0.15 per Share based on the Offer Price of HK\$0.63 and HK\$0.69 per Offer Share, respectively.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Superland Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Superland Group Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2019, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 30 June 2020, in connection with the proposed offering of the shares of the Company. 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.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offering on the Group’s financial position as at 31 December 2019 as if the proposed share offering had taken place at 31 December 2019. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial statements for the year ended 31 December 2019, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 share offering at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 June 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 July 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 16 June 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars

required by section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants 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 determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any

remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business

specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise 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.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the

notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend

(or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 18 July 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from

time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if

more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) 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).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands (“**ES Law**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Law. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company’s special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company and registration of our Company under Part 16 of the Companies Ordinance**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 July 2019. Our Company has established a principal place of business in Hong Kong at Flat A&B, 3/F, Yin Da Commercial Building, 181 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XVI of the Companies Ordinance on 29 November 2019. Mr. Ng 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 at Flat A&B, 3/F, Yin Da Commercial Building, 181 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution which comprises the Memorandum and the Articles. Please refer to Appendix III to this prospectus for a summary of various parts of the constitution and relevant aspects of the Cayman Islands company law.

2. Changes in the share capital of our Company

- (1) As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. On 11 July 2019, one Share, credited as fully paid, was allotted and issued to the initial subscriber, which was subsequently transferred to Fate Investment on the same day at par value. On the same day, a further 99 Shares in our Company, credited as fully paid, was allotted and issued to Fate Investment.
- (2) On 9 December 2019, our Company allotted and issued 10,000 Shares, all credited as fully paid, to Fate Investment, as consideration for the transfer to Team World of Success Base Group Holding's 2,499,000 shares and Mr. Ng's 1,000 shares in Success Base Engineering, together representing 100% of the then entire share capital of Success Base Engineering.
- (3) Pursuant to the written resolutions of our sole Shareholder passed on 16 June 2020, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional of 1,962,000,000 Shares.

- (4) Immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option is not exercised and without taking into account any Share which may be issued pursuant the Share Option Scheme), the total issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be HK\$8,000,000 divided into 800,000,000 Shares of a par value of HK\$0.01 each, fully-paid or credited as fully-paid, with 1,200,000,000 Shares which our Company is authorised to issue, remaining unissued.
- (5) Other than pursuant to exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme and the exercise of the general mandate to issue Shares referred to in the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder” in this appendix, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (6) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Changes in the share capital of the subsidiaries of our Company

Save for the subsidiaries mentioned in the Accountant’s Report set out in Appendix I to this prospectus and the section headed “History, development and Reorganisation” in this prospectus, our Company has no other subsidiaries. There has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Written resolutions of our sole Shareholder

On 16 June 2020, resolutions in writing were passed by our sole Shareholder pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect from the Listing Date, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of a par value of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of a par value of HK\$0.01 each, ranking *pari passu* with the then existing Shares in all respects;

- (c) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Share Offer, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise:
- (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorised to approve to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares thereunder, and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme; and
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares of the Share Offer, our Directors were authorised to capitalise a sum of HK\$5,999,899 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,989,900 Shares for allotment and issue to holder(s) of Shares whose names appear on the register of members of our Company at the close of business on 16 June 2020 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to the resolution should rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or the exercise of the Over-allotment Option or an issue of Shares pursuant to the exercise of options which may be granted under the Share Option Scheme, Shares not exceeding 20% of the total number of Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the

expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme). Such mandate will expire at the conclusion of the next annual general meeting of our Company; or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held; or when revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting, whichever occurs first; and;
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by us pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

5. The Reorganisation

In preparation for the Share Offer, our Group has undertaken the Reorganisation, details of which are set out in the paragraph headed “History, development and Reorganisation — Reorganisation” in this prospectus.

6. Changes in share capital of subsidiaries

Save as disclosed in the section headed “History, development and Reorganisation” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

7. Particulars of our subsidiaries

The particulars of the subsidiaries of our Company are set out in the Accountant’s Report of our Company, the text of which is set out in Appendix I to this prospectus.

8. Repurchase by our Company of our own securities

This section includes information relating to the repurchase 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

(i) Shareholders' approval

All proposed repurchased of Shares (which must be fully paid up must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Under the Listing Rules, Shares to be repurchased by us must be fully paid up.

Pursuant to the written resolutions passed by our sole Shareholder on 16 June 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising repurchase of Shares by our Company as described in the paragraph headed “A. Further information about our Company — 4. Written resolutions of our sole Shareholder” in this appendix.

(ii) Source of funds

The repurchase of our Shares listed on the Stock Exchange must be funded out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of our Company and the applicable laws of the Cayman Islands and any other laws and regulations applicable to us. We shall not repurchase Shares on the Stock Exchange for consideration other than cash or for the settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “core connected person” (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares, being 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue, during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of our Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase our Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within two years preceding the date of this prospectus and are or may be material:

- (a) a deed of settlement entered into between Success Base Engineering and Mr. Ng on 10 January 2020 with the purposes to effective or complete the payment of special dividend declared by Success Base Engineering on 10 January 2020;
- (b) the Success Base Engineering Sales and Purchase Agreement;
- (c) the Deed of Indemnity; and
- (d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks which are, in the opinion of our Directors, material to our business:

No.	Trademark	Place of registration	Registration number	Class	Date of registration	Expiry date
1	 創基工程有限公司 Success Base Engineering Ltd.	Hong Kong	300614943	20, 37	7 April 2006	6 April 2026
2	 Success Base	Hong Kong	301427562	35, 36	14 September 2009	13 September 2029
3	 創基 Success Base	Hong Kong	301907686	42	5 May 2011	4 May 2021

(b) Domain name

As at the Latest Practicable Date, our Group is the registered owner of the following domain names which are, in the opinion of our Directors, material to our business^(Note):

Domain name	Expiry date
www.success-base.com	22 September 2023
www.superland-group.com	8 June 2021

Note: Information contained in the websites does not form part of this prospectus.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests of our Directors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Share Offer and the Capitalisation Issue, but taking into no account of any Shares which may be issued under the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandates as referred to in the paragraph headed “A. Further information about our Company” in this appendix, the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will

be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Interests in the Shares*

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Number of Shares held (L)^(Note 1)</u>	<u>Percentage of shareholding</u>
Mr. Ng	Interest in a controlled corporation ^(Note 2)	600,000,000	75%
Ms. Zhao	Interest of spouse ^(Note 3)	600,000,000	75%

Notes:

1. The letter "L" denotes long position in our Shares.
2. These 600,000,000 Shares are held by Fate Investment, a company incorporated in the BVI and owned as to 100% by Mr. Ng. Therefore, Mr. Ng is deemed to be interested in all the Shares held by Fate Investment for the purposes of the SFO.
3. Ms. Zhao is the spouse of Mr. Ng and she is therefore deemed to be interested in the Shares held by Mr. Ng by virtue of the SFO.

(ii) *Interests in shares of associated corporation of our Company*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature</u>	<u>Number of shares held (L)^(Note)</u>	<u>Percentage of shareholding</u>
Mr. Ng	Fate Investment	Beneficial owner	1	100%

Note: The letter "L" denotes long position in the shares of the associated corporation of our Company.

(b) Interests of substantial and other Shareholders in the Shares and Underlying Shares

So far as is known to our Directors and taking no account of any Shares which may be issued under the Over-allotment Option or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Director</u>	<u>Capacity/Nature</u>	<u>Number of Shares held (L)^(Note)</u>	<u>Percentage of shareholding</u>
Fate Investment	Beneficial owner	600,000,000	75%

Note: The letter “L” denotes long position in our Shares.

2. Particulars of Directors’ service contracts and letters of appointments

Each of our Directors has entered into a service contract or a letter of appointment (as the case maybe) with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice served by either party on the other, and is subject to termination provisions therein and retirement and re-election by rotation pursuant to the Articles, the Listing Rules and/or other applicable rules.

3. Remuneration of Directors

The total amount of salaries, fees, allowances, discretionary bonus and benefit in kind, contributions to retirement benefit schemes, pensions and other benefit paid by our Group to our Directors in respect of the years ended 31 December 2017, 2018 and 2019 were approximately HK\$1.9 million, HK\$9.4 million and HK\$8.3 million respectively.

Save as disclosed above, no other payments have been paid or are payable by us to our Directors in respect of the years ended 31 December 2017, 2018 and 2019.

Under the arrangements currently in force, the total compensation (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2020 is estimated to be approximately HK\$9.6 million.

No remuneration was paid to our Directors as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

4. Related party transactions

Please refer to the Accountant's Report set out in Appendix I to this prospectus for details of the related party transactions of our Company.

5. Agency fees and commissions received

Save as disclosed in the paragraph headed "Underwriting — Total commission and expenses" in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other information — 12. Consent of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued under the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the Repurchase Mandate, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (b) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (c) none of our Directors or the experts named in the paragraph headed "E. Other information — 11. Qualifications of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors or the experts named in the paragraph headed “E. Other information — 11. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “E. Other information — 11. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 16 June 2020. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance and efficiency for the benefit of our Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at a subscription price determined in accordance with paragraph (f) below to the following persons (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Group, the assessment criteria of which are:
 - (aa) contribution to the development and performance of our Group;
 - (bb) quality of work performed for our Group;
 - (cc) initiative and commitment in performing his/her duties; and
 - (dd) length of service or contribution to our Group.

(c) Grant of option and acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted by an Eligible Participant in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document by the Eligible Participant constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given.

Within 21 days (seven days in the case of exercise pursuant to paragraph (n)) after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date (but taking no accounts of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), being 80,000,000 Shares (the “**Scheme Limit**”), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the “**Maximum Limit**”). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) **Maximum number of options to any one individual**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of our Company but subsequently cancelled (the “**Cancelled Shares**”) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (as defined in the Listing Rules, or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the subscription price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among other things:
 - (aa) the Eligible Participant’s name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities (the “**Dealing Day**”);
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
 - (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
 - (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall, subject to any adjustments made pursuant to paragraph (r), be at the absolute discretion of the Board, provided that such price shall be not less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a Dealing Day;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Dealing Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or Substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the subscription price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the subscription price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

Our Company may not grant any options after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline on which our Company must publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules); and ending on the date of actual publication of the results announcement.

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the Shareholders of our Company (the “**Adoption Date**”). Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

(k) Performance target

A grantee may be required to achieve any performance targets or fulfil any other conditions as the Board may at its absolute discretion, then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with our Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (s(v)) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph (c) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as our Company may determine); or
- (ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of its subsidiaries under paragraph (s(v)) has occurred, the grantee or his/her personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph (c) within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death.

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two Dealing Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Dealing Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company no later than two Dealing Days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the Dealing Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n);
- (iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on the grounds that he/she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his/her debts or has become insolvent or has made any arrangement or has compromised with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date upon which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the subscription price of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Outstanding options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties who may be affected thereby.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee granting approval to the listing of, and permission to deal on the Main Board in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) **Disclosure in annual and interim reports**

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, subscription price, exercise period and vesting period during the financial year in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 80,000,000 Shares in total.

E. OTHER INFORMATION

1. Tax indemnity, other indemnity and estate duty

Our Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group. Each of our Controlling Shareholders (the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in our favour (for our Company and on behalf of each of our subsidiaries) whereby the Indemnifiers shall jointly and severally indemnify and at all times keep each member of our Group fully and effectively indemnified against, among other things:

- (a) any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any member of our Group by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong, the BVI, the Cayman Islands, or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the date on which the Share Offer becomes unconditional, whether or not such event or transaction shall have taken place in conjunction with any circumstances whenever occurring;
- (b) any taxation falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) or any other relevant assessable sums on or before the date on which the Share Offer becomes unconditional or any transactions, matters, things, events, acts or omissions occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

- (c) all costs (including all legal costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment or the contesting of any claim under paragraph (b);
 - (ii) the settlement of any claim under paragraph (b);
 - (iii) any legal proceedings in which any member of our Group claims under or in respect of paragraph (b), and in which judgment is given for or against any member of our Group; or
 - (iv) the enforcement of any such settlement or judgments.
- (d) all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, whether directly or indirectly, from or on the basis of or in connection with any Hong Kong non-compliance matters;
- (e) all costs (including all legal and other professional costs), expenses, interests, penalties, fines, charges or other liabilities which any member of our Group may properly incur in connection with:
 - (i) the investigation, assessment or the contesting of any claim under paragraph (d);
 - (ii) the settlement of any claim under paragraph (d);
 - (iii) any legal proceedings in which any member of our Group claims under or in respect of paragraph (d), and in which judgment is given for or against any member of our Group; or
 - (iv) the enforcement of any such settlement or judgments.

In addition, the Indemnifiers jointly and severally undertake to indemnify and keep indemnified our Company and our Subsidiaries on demand against any expenses, payments, sums, outgoings, fees, demands, actions, claims, losses, damages, costs, charges, liabilities, fines or penalties which may be made, suffered or incurred by any of them in respect of or arising directly or indirectly from any claim, including but not limited to, all reasonable costs (including legal and other professional costs), expenses, interests, penalties, fines, charges and other liabilities which our Company and our subsidiaries may properly incur in connection with:

- (a) the investigation, assessment or the contesting of any claim;
- (b) the settlement of any claim under the Deed of Indemnity;
- (c) any legal proceedings in which our Group or any member of our Group claims under or in respect of the claim under the Deed of Indemnity and in which judgment is given for or against it; and

- (d) the enforcement of any such settlement or judgment in relation to the claim.

The Indemnifiers also jointly and severally undertake to indemnify and keep indemnified our Company and our subsidiaries on demand from any depletion or reduction in value of its assets or any loss (including all legal and other professional costs and suspension of operation), costs, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

Save and except the above the Indemnifiers shall be under no liability under the Deed of Indemnity:

- (i) to the extent that provision has been made in the audited consolidated accounts of our Group or the audited accounts of the relevant member of our Group for an accounting period up to 31 December 2019 as set out in Appendix I to this prospectus;
- (ii) for taxation falling on any member of our Group as a result of any transaction entered into by any member of our Group in respect of any accounting period commencing on or after 31 December 2019 and ending on the date which the Share Offer becomes unconditional in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets on or before the date on which the Share Offer becomes unconditional and carried out, made or entered into pursuant to a legally binding commitment created on or before the date of Listing or pursuant to any statement of intention made in this prospectus;
- (iii) to the extent that such liability arises or is incurred as a result of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority in Hong Kong or any part of the world, including but without limitation the Inland Revenue Department, having retrospective effect coming into force after the date hereof or to the extent that such liability arises or is increased by an increase in rates of taxation, payments, fines, fees or premium as required by the Hong Kong laws and regulations (as the case may be) after the date hereof with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period);
- (iv) to the extent that such liability is discharged by another person who is not any member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of the liability; or
- (v) to the extent of any provision or reserve made for such liability in the audited accounts referred to in paragraph (i) which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers or any of them in respect of such liability shall not be available in respect of any such liability arising thereafter.

2. Interests in competing business

Save as disclosed in this prospectus, none of our Directors, our Controlling Shareholders, the Substantial Shareholders and their respective close associates of each are interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

3. Litigation

Save as disclosed in the paragraph headed “Business — Legal proceedings and claims” in this prospectus, as of the Latest Practicable Date, neither our Company or any of our subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by our Directors to be pending or threatened by or against any member of our Group.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and have been paid by our Company.

5. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Lego Corporate Finance Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date, and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the compliance adviser agreement is otherwise terminated upon the terms and conditions set out therein.

6. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling such Shares to be admitted into CCASS.

7. Independence of Sole Sponsor and Sole Sponsor’s Fees

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in the Listing Rules. Our Company agreed to pay the Sole Sponsor a total fee of HK\$4.8 million as the sole sponsor to our Company for the Listing.

8. No material adverse change

Saved as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 31 December 2019 (being the date to which our Company's latest audited consolidated financial statements were made up) and up to the date of this prospectus.

9. Promoter

Our Company has no promoter for the purpose of the Listing Rule.

10. Agency fees or commissions received

Save as disclosed in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other information — 12. Consent of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

11. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Lego Corporate Finance Limited	A licensed corporation permitted to carry out type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan Limited	Industry consultant

12. Consent of experts

Each of parties listed in the paragraph headed "E. Other information — 11. Qualifications of experts" in this appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

13. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

14. 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).

15. Share registrar

The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

16. Miscellaneous

Save as disclosed in this prospectus:

- (a) 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, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares.
- (b) no founder, management or deferred shares of our Company have been issued or agreed to be issued;
- (c) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (d) 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;
- (e) all necessary arrangements have been made enabling the Shares to be admitted into CCASS;
- (f) our Directors confirm that none of them shall be required to hold any shares by way of qualification and none of them has any interest in the promotion of our Company;
- (g) there has not been any interruption in the business of our Group which have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus;
- (h) there has been no material adverse change in the financial position or prospects of our Groups since 31 December 2019 and up to the date of this prospectus;
- (i) there is no arrangement under which financial dividends are waived or agreed to be waived; and
- (j) our Group does not have any outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (ii) the written consents referred to in the paragraph headed “E. Other information — 12. Consent of experts” in Appendix IV of this prospectus; and
- (iii) copies of each of the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Li & Partners at 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountant’s Report issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report issued by PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the Track Record Period;
- (e) the material contracts referred to in the paragraph headed “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service contracts and letters of appointment with our Directors referred to in the paragraph headed “C. Further information about our Directors and Substantial Shareholders — 2. Particulars of Directors’ service contracts and letters of appointment” in Appendix IV to this prospectus;
- (g) the written consents referred to in the paragraph headed “E. Other information — 12. Consent of experts” in Appendix IV to this prospectus;
- (h) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisors, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (i) the Companies Law;
- (j) the Frost & Sullivan Report; and
- (k) the rules of the Share Option Scheme referred to in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus.

Superland Group Holdings Limited
德合集團控股有限公司